A Tripartite Cognition

AITKEN SPENCE PLC

ANNUAL REPORT 2022 - 2023

A Tripartite Cognition

Cognition

noun | kɒɡˈnɪʃ(ə)n |
the mental action or process of acquiring knowledge and understanding through thought, experience, and the senses.

Against the backdrop of what can only be described as a period of volatility in the annals of our history, Aitken Spence continued to demonstrate remarkable agility, acuity and responsiveness; strengths which enabled the Group to respond to ever-evolving dynamics and overcome the seemingly insurmountable challenges of the present.

Over the years, Aitken Spence has honed its senses to foster acute situational awareness in a complex and continually changing environment – relying on the combined strength of a razor-sharp insight and a keen hindsight to achieve the necessary foresight to carry our stakeholders onwards, against all odds.

During the year, our mental prowess, longstanding experience and perceptiveness enabled us to remain steadfast as the calm center within a storm of uncertainty and safeguard our stakeholders through every eventuality. Now, as we look towards the coming years, we pledge to remain ever vigilant and seize new opportunities to deliver exceptional value to our stakeholders, no matter what the future may hold.

Aitken Spence PLC. We're strengthened by a tripartite cognition.

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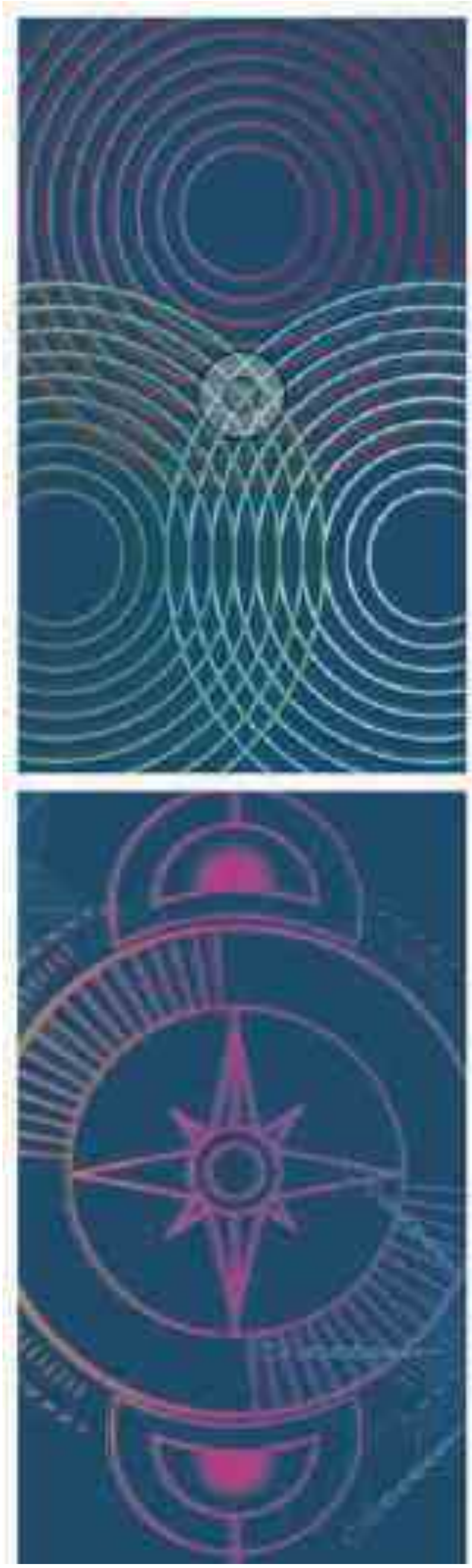


Management Discussion and Analysis

Financial Statements

Supplementary Information

ABOUT THIS REPORT

Our journey in holistic reporting continues to institutionalise integrated thinking and building resilience in our businesses. It drives awareness of the Group's relevance and impacts on the economy, people and the planet and illustrates our resource allocation.

- Integrated Reporting & Thinking
- Efficient Resource Allocation
- Organisation Resilience, Sustainability and Transformation
- Sustained Value Creation

Reporting Principles & Key Concepts

- Impacts
- Materiality and the sustainability context
- Due diligence and governance
- Strategic focus and future orientation
- Connectivity, consistency and comparability of Information
- Stakeholder relationships
- Accuracy, balance, reliability and verifiability
- Clarity, conciseness and completeness
- Timeliness

Scope & Boundary

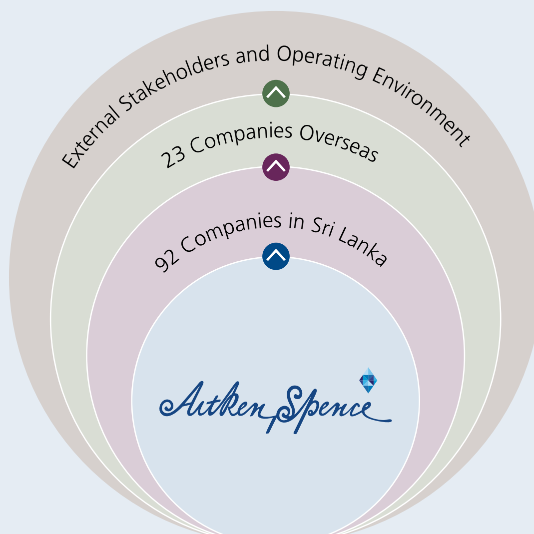
This report covers the financial and non-financial performance of Aitken Spence PLC and its subsidiaries, joint ventures and associates located in Sri Lanka and 9 other countries, collectively referred to as the Group. These entities are administratively arranged into 4 Sectors and 16 segments as set out on page 10. Financial and non-financial reporting boundaries are aligned and extend to the operating environment and external stakeholders. The report sets out how we create, preserve, or erode value through our business activities.

It should be noted that the management of sustainability performance disclosures has been implemented only in Sri Lanka, Maldives, Oman, India, Singapore and the port operations in Fiji. Our port operations in Mozambique, the tourism and cargo operation in Myanmar and Cambodia are excluded from non-financial information except where explicitly stated in the report. Their collective impacts on material topics and their contributions to our revenue, total assets and head count are not significant.

This is the 41st Annual Report of Aitken Spence PLC, consequent to the listing of the Company in 1983 and the 12th annual integrated report, setting out the performance of the Group for the financial year ending 31st March 2023. It seeks to provide a balanced review of the financial, environmental, social impacts, value creation and governance aspects of the Group in a concise, comprehensive and transparent manner. This report builds on the annual integrated report for the financial year 2021/22, continuing our quest for excellence in corporate reporting.

https://www.aitkenspence.com/annualreport/

Reporting Boundary & Scope



Frameworks

Regulatory Requirements

- Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange
- Sri Lanka Accounting Standards (SLFRs/ LKASs)
- Sri Lanka Accounting & Audit Standards Act No.15 of 1995
- Securities & Exchange Commission of Sri Lanka Act No. 19 of 2021

Voluntarily Adopted Frameworks & Standards

- International Integrated Reporting Framework issued by the International Integrated Reporting Council
- GRI Standards 2021 (Universal Standards)
- United Nations Global Compact (UNGC)
- United Nations Guiding Principles on Business & Human Rights
- Women's Empowerment Principles
- Communicating Sustainability issued by the Colombo Stock Exchange
- Code of Best Practice on Corporate Governance issued by the CA Sri Lanka (2017)
- Guidelines for Presentation of Annual Reports 2022 issued by CA Sri Lanka
- Gender Reporting Framework issued by CA Sri Lanka
- The GHG Protocol Corporate Accounting and Reporting Standard aligned within the GRI Standard
- Emission factors sourced from the IPCC Guidelines for National GHG Inventories, and the Presidential Task Force on Energy Demand Side Management

Restatements & Comparability of Information

There were no restatements of financial information during the year. Indirect energy and renewable energy consumption in the Strategic Investment Sector and the direct energy consumption in the Tourism Sector for the year 2021/22 have been restated due to a recalibration of data calculations. Accordingly, information presented in the report are comparable between the current and prior reporting periods. Our integrated sustainability policy is trilingual to enable enhanced awareness for our stakeholders: The Tamil translation of this policy was reworded for better clarity of our commitments.

Assurance

External assurance on financial statements have been provided by KPMG while assurance on GRI Standards and Integrated Reporting has been provided by EY.

Navigating Our Report

GOVERNANCE

RISK

THE CAPITALS	STAKEHOLDERS	OBJECTIVES
Financial Capital	Customers	Sustainable profit growth
Human Capital	Employees	Geographical expansion
Intellectual Capital	Business Partners	Diversify into new business segments
Natural Capital	Government & Regulators	Reduce resource footprint and achieve net zero emission status
Social & Relationship Capital	Communities	Employer of choice
Manufactured Capital	Investors	

Reporting Process & Board Approvals

The Group Supervisory Board oversees the Group annual reporting process under the leadership and guidance of the Deputy Chairman with the Corporate Finance Department and the Sustainability Department taking responsibility for the detailed aspects of the project. Material matters are determined by the Sustainability Division and approved by the Group Supervisory Board prior to the year end. All sectors and segments submit written responses to detailed questionnaires and provide inputs in compiling the relevant sections including the capital reports. Additionally, relevant heads of departments provide insights and information for specialised areas of operations. The compiled report is reviewed by the Assurance providers prior to Board approval.

OUR SUSTAINABILITY JOURNEY:

2002

Commitment to the UN Global Compact as a signatory

THE GLOBAL COMPACT
WE SUPPORT

2005/06

Formation of the Group's Sustainability Strategy with 3 key focus areas and an Executive Director leading the process, overseeing responsibilities for sustainability

2006/07

Formation of the Group Sustainability Team with cross functional representation from all segments

2007/08

Group formulated an integrated sustainability policy with 15 key focus areas and an implementation framework rolled out to establish essential action across the Group for impact control.

GRI reporting framework adopted for the first time to report on non-financial disclosures.

2010/11

Group commences reporting on Scope 1 & 2 GHG emissions.

2011

Aitken Spence PLC among the first entities in the world to sign commitment to the Women's Empowerment Principles

2012

Human rights at the workplace and information security formally introduced to the Group's integrated sustainability policy and implementation framework.

Integrated reporting guidelines aligned to the IIRC adopted for the first time.

Group recognised as the Best Corporate Citizen in Sri Lanka by the Ceylon Chamber of Commerce.

Forward Looking Statements

This report includes forward looking statements based on external and internal information available at present to facilitate assessment of the Group's prospects. These statements are associated with a high level of uncertainty due to the high levels of uncertainty and volatility in the global and local economic outlook. The outcomes and impacts of some of these statements relate to future events which are beyond our control but can have a significant impact in the Group's ability to create value. Readers are advised to make their own judgements using the latest information available at the time of assessment due to the elevated levels of uncertainty in forward looking statements. All forward looking statements are provided without recourse or any liability whatsoever to the Board or other preparers of the Annual Report due to the reasons enumerated above.

Statement by the Board

The Management of Aitken Spence PLC has prepared, reviewed and approved the contents of the Annual Report for the year ended 31st March 2023.

The Board acknowledges its responsibility to ensure the integrity of the Annual Report and to ensure that it provides a balanced view of its performance addressing all material issues that may have an impact on the Group's capacity to create value in the short, medium and long term. We also confirm that the report has been prepared in accordance with GRI Standards 2021 and the integrated reporting framework of the International Integrated Reporting Council (IIRC).

The acknowledgment of the Boards' responsibility for the Annual Report and its contents are given in the Annual Report of the Board of Directors on page 109. The report was approved by the Board of Directors on 06th June 2023.

2015/16

The Group aligns its objectives and targets with 7 Sustainable Development Goals. These SDGs were selected based on our most significant impacts and opportunity to contribute positively towards development goals.

2018/19

Aitken Spence was awarded as the Best Corporate Citizen of Sri Lanka for the 3rd consecutive year; 4th time in total and the 8th time to have been ranked among the top 3 best corporate citizens in the country.

Group's integrated sustainability policy reviewed and revised to include 21 statements of policy commitment for material topics.

Group's MDs and Heads of Divisions educated on climate change and Disaster Risk Reduction and the Group's core DRR team formed.

2020/21

Group participated in UNGC's Target Gender Equality programme with Executive Director, Ms. Stasshani Jayawardena, representing the Company as an ambassador.

Group joins the Climate Ambitions accelerator programme of the UNGC.

Aitken Spence leads the Working Group on Human Rights in the UNGC Local Network Sri Lanka

2021/22

Early adopters of the GRI Universal Standards (2021).

First conglomerate in Sri Lanka to make a public commitment to the Science Based Targets initiative and to commit towards Business Ambition for 1.5°C.

Aitken Spence marks 20 years as a signatory to the UN Global Compact.

Aitken Spence is the only Sri Lankan company in the global ranking of Top 100 Companies in Sustainability 2022, among global business leaders, in an independent international assessment.

Feedback & Inquiries

A feedback form is provided on pages 425 - 426 and on our website (www.aitkenspence.com/feedback). We would appreciate your feedback on the Annual Report using this form which can be mailed to the Company Secretaries with "Annual Report 2023 Feedback" marked on the top left-hand corner of the envelope or emailed to the address given below. These responses will be perused by the Management of the Company. We value your feedback and will use the same to improved the Annual Report.

Please contact the following person for inquiries regarding the Annual Report:

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Facsimile :+94 11 244 5406
Mail : No 315, Vauxhall Street,
Colombo 2, Sri Lanka

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AitkenSpencePLC

OUR HISTORY

1868

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

1873

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

1876

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

1952

The last Chairman of the founding families, P.W.G Spence Retires in 1952. The company is further strengthened and registered as a Private Limited Liability Company.

1974

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

2002

Welcoming the Government's decision to invite the private sector for generation of power, the Group's first 20 MW thermal power plant was completed in Matara.

2005

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

2007

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

2008

The Group opened 'Adaaran Prestige Vadoo' the fifth luxury villa in close proximity to the Male atoll.

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

2012

Aitken Spence Printing relocated to a state of the art printing facility which is the first LEED certified printing facility in Sri Lanka.

2013

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

2015

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

1977

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

1981

Commenced operations of Triton Hotel. The first beach resort, in Ahungalla, later to be rebranded as "Heritance Ahungalla".

1983

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

1985

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

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

1993

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

1994

Commenced commercial operations of Heritance Kandalama, the world's first LEED certified hotel, and becomes the first Asian hotel to receive the prestigious Green Globe 21 certification.

1996

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

2018-19

Commenced construction of Heritance Aarah, the first Heritance property, and the first LEED certified building, in the Maldives. Commenced construction of the first ever waste to energy power project in the country with a capacity of 10 MW of energy to the national grid.

2020

2020 witnessed one of the worst pandemics of modern history, COVID-19. The Group overcame unprecedented challenges to start operations of the first waste to energy power plant in the country. Tourism Sector kept afloat while the other sector performance stood as a testimony to the Groups' diversification strategy.

2021

Demonstrating the Group's commitment to its sustainability strategy, the company acquired three hydro power projects with a generating capacity of 6.6 MWh at a cost of Rs 900 Mn.

2022

Amidst one of the most challenging years in Sri Lankan history, the group persevered with its commitment to renewable power generation by investing Rs. 1.4 Bn in a ground mounted solar power project in Hambantota. Furthermore, Aitken Spence & Singapore Airlines celebrated their 50-year partnership as the longest-standing GSA for Singapore Airlines globally.

ABOUT US

Aitken Spence PLC is a diversified Group of Companies operating for over 150 years and listed on the Colombo Stock Exchange since 1983. Commencing operations in 1868 as an exporter and importer of goods from the southern port in Sri Lanka, our investments are in tourism, maritime and freight logistics, power generation, money transfer, property management, insurance, printing, elevator agency, apparel manufacture and plantations. Our operations have expanded to 10 countries across the Asian African and Pacific continents. Enduring partnerships with multinational corporates and governments stand testimony to our ability to deliver value to stakeholders while upholding high standards of governance and performance while building trust. Our ability to foresee potential for growth and make 'against the grain' decisions has been a significant part of our success. Insight and the ability to always look for and create new opportunity has been our hallmark. The professionalism of our team, robust systems and processes, a strong commitment to sustainability and a valued reputation for fair play drive our performance and growth.

OUR PURPOSE

Inspire to Create Great Futures for All.

OUR VISION

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

OUR VALUES

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

4 Sectors

16 Business segments

Tourism

- Hotels
- Destination Management
- Airline GSA

Maritime & Freight Logistics

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

Strategic Investments

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

Services

- Insurance
- Money Transfer
- Property Management
- Elevators

Our Global Presence

Group at a Glance

Rs. 98.1 Bn
Group Revenue

Rs. 30.1 Bn
EBITDA

Rs. 11.2 Bn
Profit Before Tax

Rs. 16.36
EPS

13,033
No. of Employees

Rs. 98.0 Mn
Total Investment in Sustainability Processes and Action Plans

Socioeconomic Impact

Rs. 81.9 Bn
Facilitation of Foreign Exchange Generation to the Country

Rs. 260.0 Mn
Funds Channelled for Community Development

Rs. 9.4 Bn
Taxes (Direct & Indirect) Paid to Governments

CONSOLIDATED FINANCIAL AND ESG PERFORMANCE

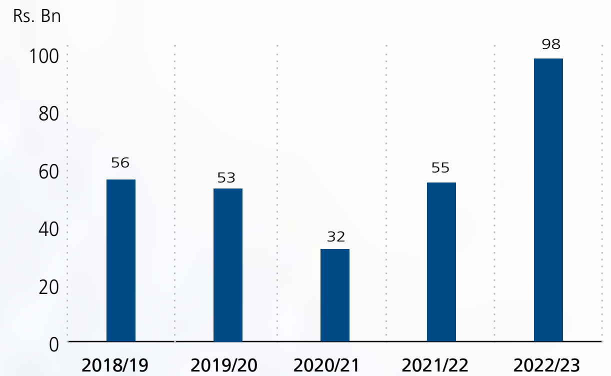
Financial Highlights

Revenue
Rs. 98.1 Bn

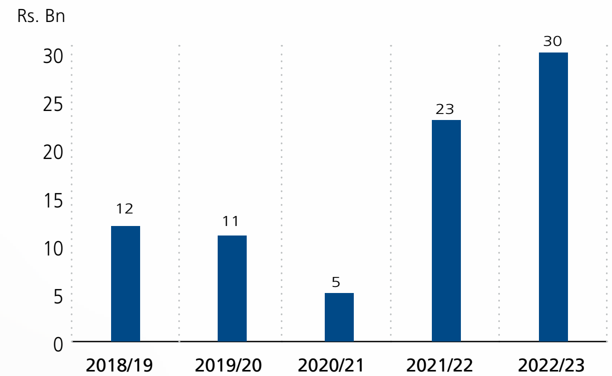
EBITDA
Rs. 30.1 Bn

Profit before Tax
Rs. 11.2 Bn

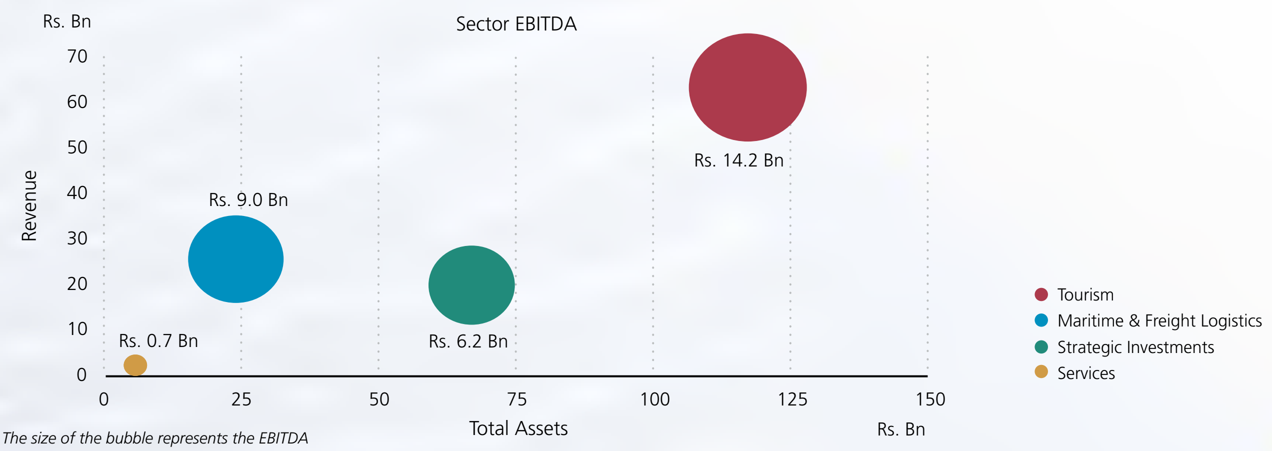
Group Revenue



Group EBITDA



Sector Analysis of Performance



The size of the bubble represents the EBITDA

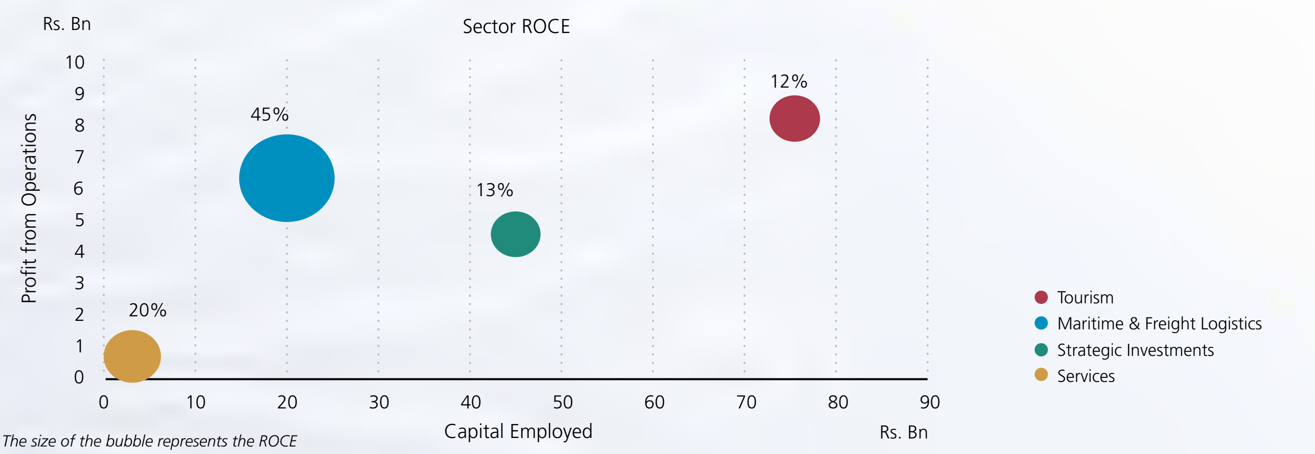
Total Assets
Rs. 214.3 Bn

Total Equity
Rs. 86.2 Bn

Return on Equity
9.5%

	2022/2023	2021/2022	YoY%
Income Statement			
Group revenue (including associates) (Rs.Mn)	107,498	61,780	74.0
Group revenue (Rs.Mn)	98,104	54,696	79.4
Profit /(loss) from operations (Rs.Mn)	18,984	16,387	15.8
Share of profit from equity accounted investees (Rs.Mn)	1,070	682	56.9
Profit /(loss) before tax (Rs.Mn)	11,201	14,224	(21.3)
Income tax expense	3,125	2,068	51.1
Profit /(loss) after tax (Rs.Mn)	8,076	12,156	(33.6)
Profit /(loss) attributable to equity holders of the company (Rs.Mn)	6,644	10,540	(37.0)
Statement of Financial Position			
Non - Current assets (Rs.Mn)	139,964	127,930	9.4
Current assets (Rs.Mn)	74,204	67,664	9.7
Total assets (Rs.Mn)	214,338	197,346	8.6
Total equity (Rs.Mn)	86,216	77,446	11.3
Non - Current liabilities (Rs.Mn)	69,969	69,870	0.1
Current liabilities (Rs.Mn)	58,153	50,030	16.3
Key Ratios			
ROE (%)	9.47	18.26	(48.1)
ROCE (%)	16.49	15.34	7.5
Interest cover (times covered)	2.19	6.04	(63.7)
Current ratio (times covered)	1.28	1.35	(5.2)
Debt equity ratio	0.54	0.64	(15.6)

Sector Analysis of Performance



The size of the bubble represents the ROCE

CONSOLIDATED FINANCIAL AND ESG PERFORMANCE

Shareholder Highlights

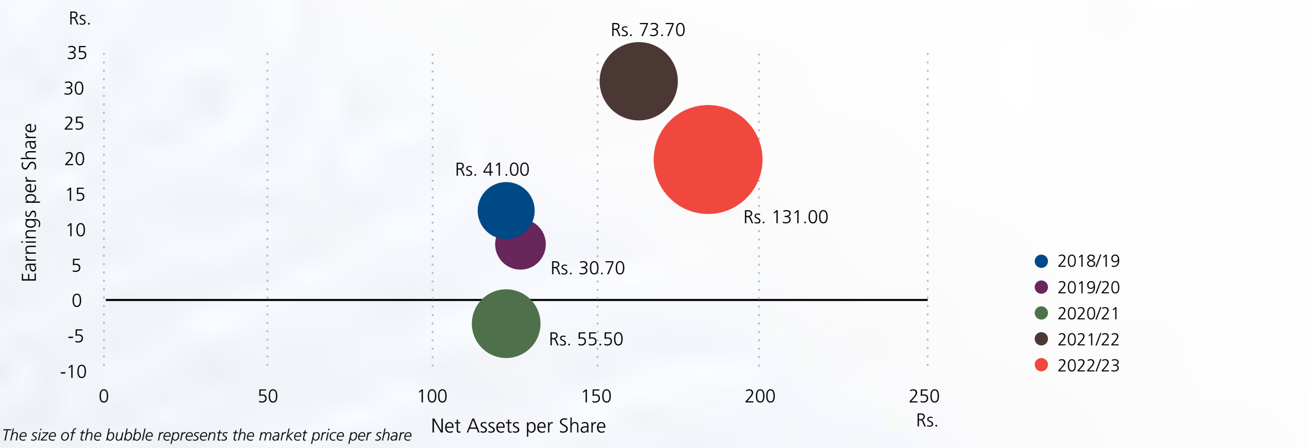
Earnings per Share
Rs. 16.36

Net Assets per Share
Rs. 183.26

Market Price per Share
Rs. 131.00

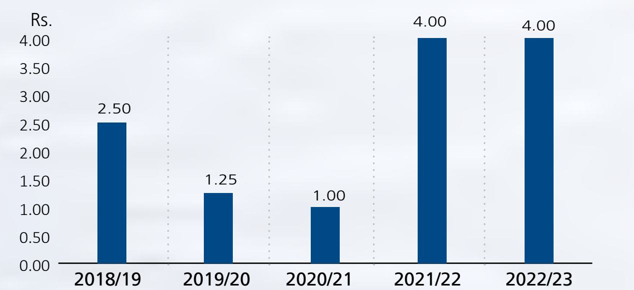
	2022/2023	2021/2022	YoY%
Share Information			
Market capitalisation as at 31st March (Rs.Bn)	53.19	29.92	77.8
Market price as at 31st March (Rs.)	131.00	73.70	77.7
Earnings per share (Rs.)	16.36	25.96	(37.0)
Price Earnings Ratio (times)	8.01	2.84	182.0
Dividends per share (Rs.)	4.00	4.00	-
Dividend payout ratio (%)	24.4	15.41	58.3
Net asset value per share (Rs.)	183.26	162.44	12.8
Price to Book Ratio (times)	0.71	0.45	57.8

Market Performance of Share Price

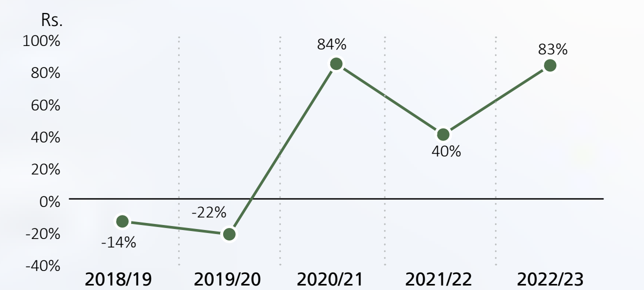


The size of the bubble represents the market price per share

Dividends Per Share



Total Shareholder Return



Economic Highlights

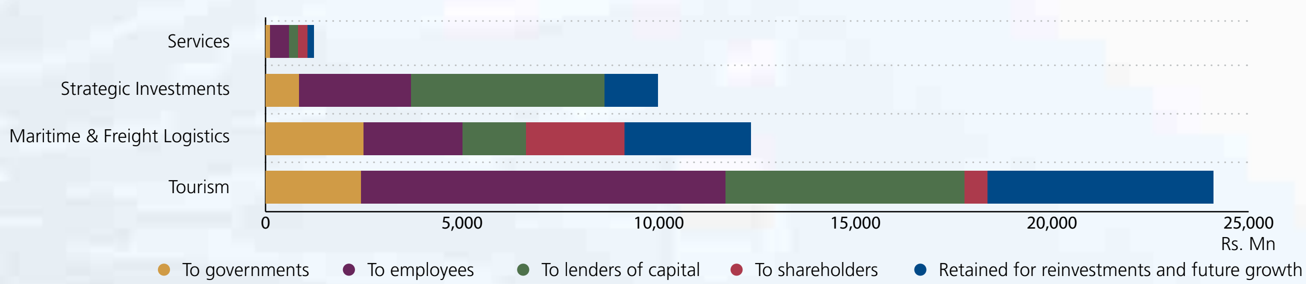
Value added by the Group
Rs. 47.6 Bn

Facilitation of Foreign Exchange
Rs. 81.9 Bn

Investments during the year
Rs. 4.5 Bn

		2022/2023	2021/2022	YoY%
Economic				
Value added by the Group	Rs. Mn	47,648	33,461	42.4
Foreign exchange facilitated to the country	Rs. Mn	81,896	40,796	100.7
Taxes paid to governments	Rs. Mn	9,369	4,346	115.6
Direct employment generated		13,033	12,606	3.4
Tourism Sector				
Pax handled by destination management		105,974	60,974	73.8
Guest nights in owned or managed hotels		912,240	730,215	24.9
Room inventory owned and managed		2,627	2,826	(7.0)
Maritime & Freight Logistics				
Total warehouse space	Sq. Ft	432,602	400,833	7.9
Youth capacity building at CINEC campus	No. of students	19,694	15,683	25.6
Strategic Investments				
Power generated	MWh	164,002	135,474	21.0
Apparel produced	Pieces' 000	4,305	3,886	10.8
Tea produced	Kgs '000	4,296	4,504	(4.6)
Import substitution with palm oil production	Kgs '000	21,447	21,485	(0.2)
Services				
Number of inward remittance transactions		562,575	474,116	18.7
Commercial office space	Sq. Ft	195,784	195,784	-
Investments				
Property Plant & Equipment as at 31st March (Rs.Mn)		105,499	95,810	10.1
Investments during the year (Rs.Mn)		4,495	2,361	90.4
Depreciation and amortisation (Rs.Mn)		7,175	4,852	47.9

Sectoral Distribution of Value Added - 2022/23



CONSOLIDATED FINANCIAL AND ESG PERFORMANCE

Economic, Environment, Social and Governance Highlights

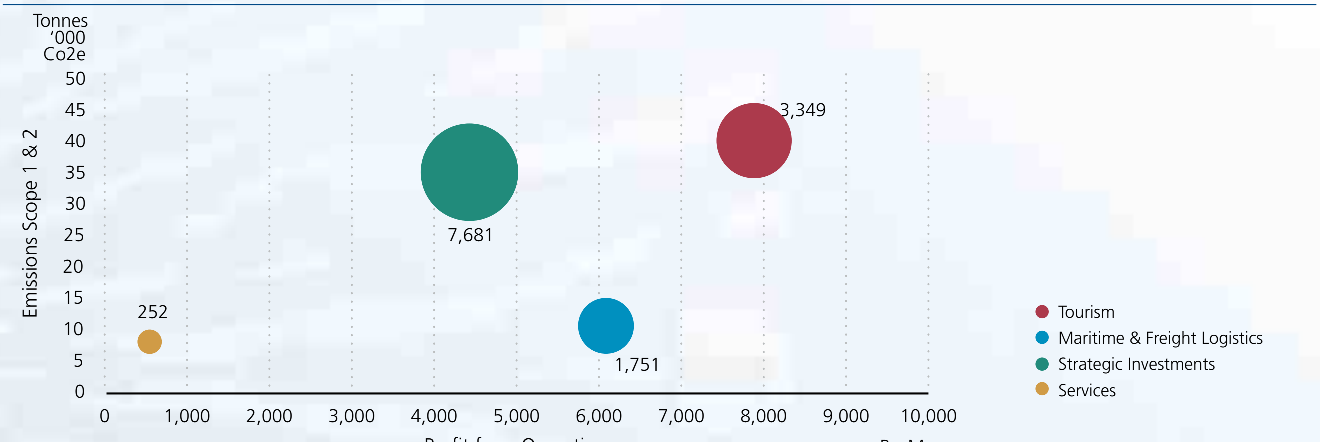
Total Employees
13,033

Female Representation
41%

Number of Companies
115

		2022/2023	2021/2022	YoY%
Governance				
No. of Companies	No.	115	112	2.7
Sri Lanka	No.	92	91	1.1
Maldives	No.	8	8	-
Other	No.	15	13	15.4
No. of Subsidiaries	No.	91	89	2.2
No. of Associates	No.	24	23	4.3
% of shares held by Twenty Largest Shareholders	%	89.56	86.60	3.4
Social				
Total Employees	No.	13,033	12,606	3.4
Female Representation	%	41	40	2.5
Total employee benefits	Rs. Mn	15,132	9,761	55.0
Training & Development	Rs. Mn	42	20	110.0
Training & Development	Hours	157,005	140,287	11.9
Workplace injuries	No.	116	187	(38.0)
Lost Working Days	No.	833	135	517.0
Attrition Rate	%	24	20	20.0
Percentage of female managers in the managerial workforce	%	17	18	(5.6)
Brand stewardship	No.	21	21	-
Funds channelled for community development initiatives	Rs. Mn	260.0	127.5	103.9
Entities certified for health and safety		35	24	45.8
Average tenure of service	Years	9	9	-

People, Planet, Profit



The size of the bubble represents the number of employees

Economic, Environment, Social and Governance Highlights

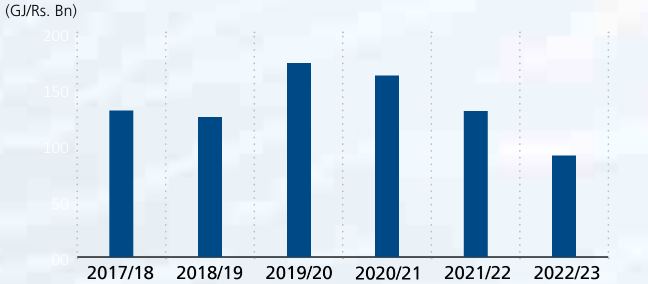
26.5%
of Total Energy Consumed Sourced Renewably

60%
of Total Water Withdrawn Treated for Safe Reuse/ Discharge

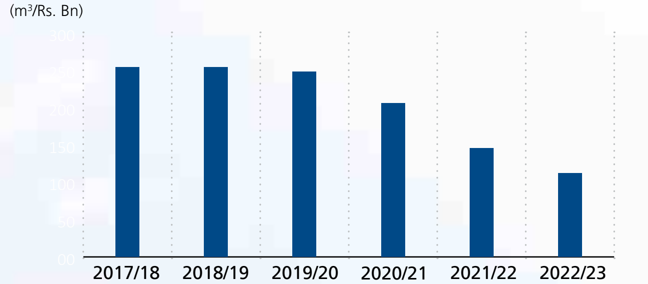
Rs. 98 Mn
Invested for Sustainability/ ESG processes

		2022/2023	2021/2022	YoY%
Environmental				
Certified management systems for environmental impact control		40	47	(14.9)
Energy Consumption				
Direct	GJ	748,321	556,910	34.4
Indirect (Purchased energy)	GJ	138,596	121,498	14.1
Energy produced				
From non-renewable sources	GJ	543,205	280,069	93.9
From renewable sources	GJ	703,154	625,586	12.4
Total Volume of Water withdrawn	m^3	1,094,597	796,024	37.5
Water sources affected by withdrawal		None	None	
Water treated for reuse or safe disposal	m^3	651,347	553,109	17.8
Greenhouse gas emissions				
Direct (Scope 1)	tCO_{2e}	65,584	48,924	34.1
Indirect (Scope 2)	tCO_{2e}	27,827	22,808	22.0
Greenhouse gases reduced/offset	tCO_{2e}	95,333	96,492	(1.2)
Investments in sustainability processes	Rs. Mn	98	79	24.1

Pattern of Energy Consumption per Unit Revenue



Pattern of Water Consumption per Unit Revenue



OUR YEAR AT A GLANCE

Sri Lanka's First Elevator Training Centre Opened

Aitken Spence School of Management, Group Human Resources organised the first ever Spence Hackathon

Seven teams from the Group - including overseas - embraced the challenge and developed transformative solutions for identified business problems and were evaluated by a panel of industry experts.

Aitken Spence & Singapore Airlines Celebrated 50 Years Golden Jubilee Partnership.

Aitken Spence is the longest standing GSA in the Singapore Airlines Network.

May - 22 July - 22 October - 22 November - 22 December - 22

Significant investment of Rs. 1.4 billion made in solar energy

Aitken Spence Printing crowned overall winner and won the most number of awards at the Sri Lanka Packaging Awards 'Lanka Star 2022'

Aitken Spence Travels and Elpitiya Plantations PLC won top Sustainability Awards

Organised by the AHK (Delegation of German Industry and Commerce in Sri Lanka), together with the Friedrich Naumann Foundation.

December - 22

Aitken Spence Hotels, Heritance Aarah among world's best at Culinary World Cup 2022

Total of 13 awards received at the event organised by Villeroy & Boch Culinary World Cup

January - 23

Aitken Spence PLC crowned the sector award winner in the Diversified Holdings category and the winner of Demonstrated Resilient Practices for COVID-19 context

Highest number of awards won by a single entity at the Best Corporate Citizen Sustainability Awards 2022 organised by the Ceylon Chamber of Commerce.

March - 23

Aitken Spence Cargo and Aitken Spence Apparel and Elpitiya Plantations recognised for Best Management Practices

Organised by The Institute of Chartered Professional Managers of Sri Lanka (CPM Sri Lanka)

March - 23

Hapag Lloyd Lanka consistently recognised for exceptional Customer Service

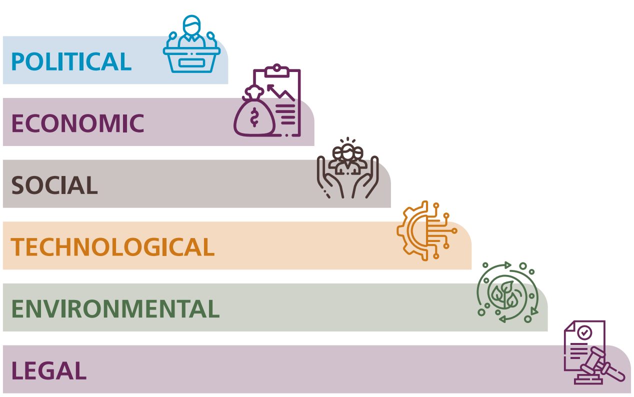
Two awards won at the event organised by the Institute of Chartered Shipbrokers (UK) - Sri Lanka Branch

OPERATING ENVIRONMENT

Year 2022 is widely accepted as perhaps the most challenging period since independence despite 30 years of civil conflict. The financial year commenced with the devaluation of the rupee by 47% in March 2022, an interest rate hike of 700 basis points and a suspension of the servicing of external debt in April 2022 reflecting the economic stresses which deepened during the first half. The second half witnessed an improvement as targeted policies reined in imports, inflation, interest rates and exchange rates. Negotiations with the IMF were finalised in March 2023 for a USD 3 Bn Extended Fund Facility (EFF) with an economic adjustment programme to set the country on a path to recovery. Recovery signs, while positive, are tenuous with the possibility of prolonged negotiations over external debt restructuring and the impact of a probable domestic debt reorganisation impacting the business sentiment.

The global economic outlook is also moderating while geopolitical tensions too have escalated. 2023 witnessed several large corporate reorganisations with accompanied layoffs and increased stress in the banking sector while inflation remains a persistent global issue leading to curtailment of purchasing power and tightening of monetary policy.

The most material issues that affected business operations of the Group are summarised as a PESTEL analysis to provide context to performance. Readers are advised to review updated information on matters set out here at the time of reading this report as the positions could change.



POLITICAL

High levels of political instability during the year led to a change in the leadership of the country with significant changes in policy. The IMF EFF will see further policy changes as sweeping reforms are needed to set the country on a path to recovery.

Issues

- Domestic political uncertainty
- Geopolitical dynamics
- Bureaucracy and lack of transparency

Impact on Group

- Brain drain
- Civil unrest
- Travel advisories
- Deters foreign investment
- Reduced supplier financing
- Disruptions to supply chains
- Commodity trade
- Reduced business confidence

Our Response

Diversification across sectors and geographies has made the Group resilient. Strengthening our business processes were key to managing the impacts on the business, employees and other external stakeholders. The critical process changes are summarised below:

» Detailed cashflow management for domestic currency and foreign exchange

» Re-evaluation of investment priorities

» Regular political risk assessment

» Monitoring additional regulatory requirements and restrictions to business operations

» Developing and strengthening local supply chains

» Further diversification of operations

Opportunities

» Expanding the global footprint

» Strengthening portfolio of investments in essential sectors of the economy

ECONOMIC

Key Impacts

Energy Security & Tariffs

Inflation

Foreign exchange liquidity and rate

Interest rates

Economic contraction

Import restrictions

Moderating global outlook

Increasing taxation

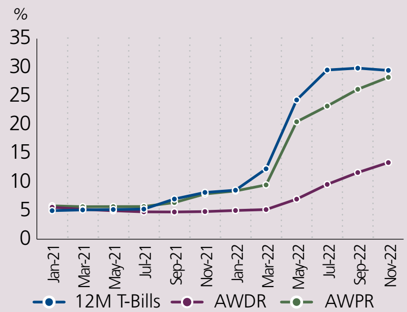
Expansion of working capital

Moderation in freight rates

Energy

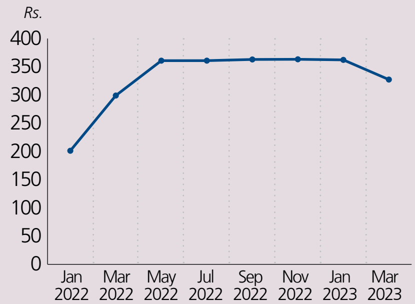
Energy prices increased by 75% and 65% in August 2022 and February 2023 respectively. Availability was also an issue with island wide planned power outages until February 2023 with resultant disruption to business.

Movement in Interest Rates



The steep climb in interest rates made a significant impact on business segments as working capital cycles also expanded during the year.

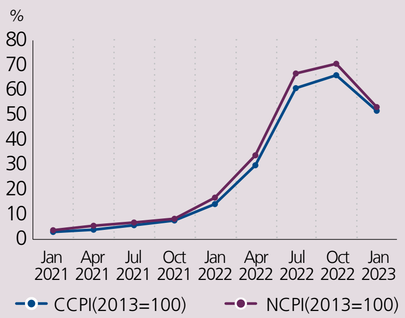
Exchange Rate Movement



Businesses with foreign exchange inflows had a positive impact with the added advantage of being more competitive on prices. However, the impact on operating expenses was significant, exerting pressure on margins.

Inflation

Soaring inflation led to reduction in disposable income while exerting pressure on wages and operational costs. Consistent policy interventions have resulted in inflation declining for 7 consecutive months although it still remains at 35.3% as at March 2023



Economic Contraction

The Sri Lankan economy contracted during the year and is forecast to contract by 2% in 2023. It is expected to grow by 3.3% and 4% in 2024 and 2025. The uptick in Tourism and worker's remittances in the first quarter of 2023 is encouraging although the decline in exports is concerning.

Global economic growth is forecast to moderate from 3.4% in 2022 to 2.8% in 2023 with growth in advanced economies falling below 1%. This is expected to dampen demand for exports.

Taxation

Increased personal taxation has reduced consumption while increased rates of corporate tax, VAT and import duties, the introduction of the Social Security Levy led to a decrease in profitability.

Working Capital Expansion

Delays in receivables from the government and higher inventory levels led to expansion of working capital which in turn led to higher borrowing costs.

Our Response

» Defending and growing market share by strengthening customer relationships

» Wide ranging measures to shift to a leaner operating model

» Managing working capital, particularly the dues from the Ceylon Electricity Board continues as we look to optimise working capital cycles

Opportunities

» Geographic and industry diversification

» Growth in market share and acquiring new strategic partners have been key focus areas to drive top line growth.

» Develop new markets

» Enhance efficiency with process automation, use of AI and RPA technologies

» Optimise Group synergies

OPERATING ENVIRONMENT

SOCIAL

Lifestyle & Workplace Changes

- Concern for health and wellbeing
- Increasing use of technology
- Increased female participation
- Agile & remote work

Demographic Changes

- Income inequality
- Connected through social media
- Migration & urbanisation
- Ageing population

Impacts

Migration of skilled labour and professionals is a critical issue for the entire corporate sector including the Group. Agile and remote work has supported retention of employees while also reducing operating costs. There is a greater need for heightened IT security as more employees connect to systems via personal devices in line with social trends.

Our Response

» Strengthening employee value proposition through flexible working, rewards and benefits, training and development etc.

» 2 year focus on increasing female participation in teams

» Rolled out diversity, equity & Inclusion policy together with parental leave to support female participation in the Group and the country's workforce.

» Investing in digitalisation to enhance collaboration

» Enhanced IT security with multifactor authentication and regular updating of security protocols.

» Participation in SDG Innovation Accelerator Programme

» Creating a digital culture

Opportunities

» Cater to demand for long stay working vacations to drive growth in tourism, leveraging remote working trends

» Potential to tap into new labour markets

» Increase use of AI and RPA tools to enhance productivity

» Tap into female talent pools with flexible work offerings

» Enhance stakeholder engagement leveraging increased connectivity

» Increasing urbanisation will drive demand for tourism

» Extend customer experience boundaries through pre and post visit engagements

TECHNOLOGICAL

Rapid Technological Advances

- Big Data and predictive analytics
- Machine Learning
- Augmented and Virtual Reality
- Increasing mobile and internet penetration
- Growth of drone technology

Environmental Impacts

- Increased emissions, effluents and solid waste
- Impacts on ecosystems
- Potential risks to social license to operate and reputation

Impacts

Technology is advancing rapidly and also becoming more affordable to a wider population. This will reduce barriers to entry with mature industries being disrupted by technology driven and agile competitors with lean business models. There is significant potential to drive efficiencies through rapid deployment of technology in all aspects of the business. At the same time we also observe the potential degradation of the environment in the hunt for rare substances to power the new technologies as well as the e-waste that will result from rapid changes in more efficient hardware besides the more obvious need for energy.

Our Response

» Digital transformation across business segments and workflows

» Engaging in testing 5G

» Discovery of 5G solutions

» Investments in non-conventional renewable energy

Opportunities

» Investing in renewable energy

» New ventures

» Develop a tech savvy workforce that is empowered with audit trails and systemic internal controls

» Increased visibility of field force supporting productivity

» Accurate and fast access to inaccessible areas

» New market opportunities in inaccessible areas

» Opportunities to develop circular economy

» Transition to low carbon solutions

» Partnerships for sustainable development

» Environment conservation

» Developing carbon sinks towards net zero

ENVIRONMENTAL

Physical Risks
- Vulnerability to extreme weather events
- Disruptions to supply chains
- Impact on conventional industries
- Cost of reducing emissions

Transition to Low Carbon Economy
- Disorderly transition
- Increased operational costs
- Inconsistent adoption of low carbon technologies
- Sustainability of low carbon technologies

Compliance
- Increased regulation
- Consolidation of Standards
- Investor pressure

Impacts

With investments in tourism, agriculture and renewable power generation, climate change and preservation of the environment are a key priority as they both affect and impact the environment. Additionally, the country is transitioning to a low carbon economy and we are likely to see enhanced regulation and compliance costs arising as a consequence. Given the enormity of the threat, we are committed to achieve net zero by 2030 and are making headway toward this goal with significant resources allocated to achieving this goal.

Our Response

» Comprehensive integrated sustainability policy in line with SDGs and ESG Frameworks

» Organisation wide implementation of sustainability policy monitored at Group level

» 40 entities are certified for international best practice on environment management practices

» Investments in renewable energy

» Areas of high biodiversity identified and action taken to preserve flora and fauna populations

» Adaptation and mitigation strategies are assessed and revised as needed

» Adopting climate action strategies including commitment to Science Based Targets initiative

» Management systems in place to monitor and review progress

Opportunities

» Opportunities to provide low carbon technology solutions

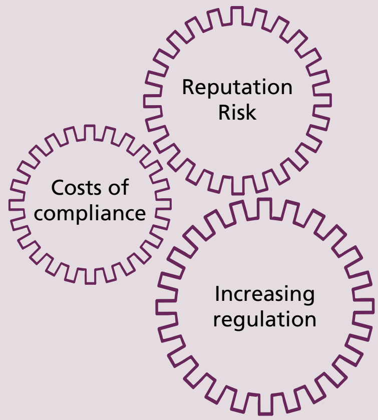
» Grow renewable energy portfolio

» Explore markets to invest in low carbon technologies

» Build a green workforce

» Sustainable financing options

LEGAL



Impacts

The economic crisis resulted in a slew of regulatory changes increasing the costs of compliance and the risk of unwitting oversight due to the hurried implementation leading to increased reputation risk. Additionally, changes in the regulations themselves alter business models, workflows and necessitate changes to elements such as succession planning as we experienced with the increase in the retirement age. Additionally, our global presence necessitates familiarity with the laws of different countries resulting in a high level of complexity for businesses that span borders.

Our Response

» A centralised legal team provides support to business segments.

» Briefing the Board on impacts of new legislation and regulation

» Review of succession plans and career paths subsequent to increase in retirement age from 55 years to 60 years

» Review of additional safeguards required to comply fully with the requirements of the Personal Data Protection Act No.9 of 2022

Opportunities

» Review business models to assess new opportunities that arise from changes in legislation

CHAIRMAN'S MESSAGE

Deshamanya D.H.S. Jayawardena
Chairman

While 2022 was an exceptionally difficult year in our domestic market, Aitken Spence PLC was able to deliver a commendable performance for the financial year ending 31st March 2023 due to its industry and geographic diversification. Throughout this period of economic turmoil, our team has demonstrated unwavering dedication, strategic decision-making, and a commitment to delivering value to our stakeholders.

The Sri Lankan economy experienced its most challenging year since gaining independence. The nation faced considerable pressure on its balance of payments, a scarcity of foreign exchange liquidity, a strained exchange rate, soaring inflation and diminished economic activity. Additionally, the country's sovereign rating was downgraded which further complicated its ability to access external finance.

Despite the above challenges, our Group managed to achieve a Revenue of Rs. 98.1 billion, a 79.4% increase over the previous year's Rs. 54.7 billion. Profit from operations excluding exchange gain increased by 85.2% to Rs. 17.1 billion compared to Rs.9.2 billion in the previous year. The strong performance made by operations managed to withstand the impact of the significant increase in interest rates, tax rates, and the volatility of exchange rates; and produce a profit after tax of Rs. 8.1 billion compared to Rs. 12.2 billion in the previous year. This reflects the resilience of the Group during a year marked by high levels of uncertainty and volatility.

Overseas operations account for 76.0% of profit after tax with strong bottom-line growth demonstrated by the Maritime & Freight Logistics and the Tourism sectors. Performance of Sri Lankan operations was also commendable as it contributed Rs.7.7 billion to profit from operations (EBIT) although this was largely whittled down by the tightening monetary and fiscal policy to a profit after tax of Rs.1.9 billion.

Industry diversification was important as EBIT growth in the Tourism and Maritime & Freight Logistics Sectors absorbed the margin pressures in the Strategic Investments Sector. The strong performance of the Maritime & Freight Logistics Sector cushioned the impact of increasing interest rates and taxation of other sectors of the Group. The diversification of our business model built over 154 years enabled the Group to deliver positive returns to shareholders even in the face of significant challenges within our operating environment.

Navigating turbulence

The first half of the year saw Sri Lanka work through its most troubled times since independence, absorbing the shocks of policy interest rates moving up which resulted in the AWPLR moving up by 1,610 basis points, currency devaluation of 23.8% and inflation moving up to 73.7% by end September 2022 as well as a change in leadership of the country. Since then, there has been an encouraging trend as inflation, exchange rates and interest rate movements were reined in through more targeted policy interventions, paving the way for a gradual recovery to positive GDP growth in 2024. Approval of the IMF extended Fund Facility of USD 3.3 billion was a positive signal and the government adhering to its terms and conditions is critical for staying on the path to recovery. While external and domestic debt optimisation is work in progress yet, there is confidence that a plausible solution

REVENUE
Rs.**98.1** bn
2021/22 : Rs. 54.7 bn
79.4%

PROFIT FROM OPERATIONS BEFORE EXCHANGE GAINS
Rs.**17.1** bn
2021/22 : Rs. 9.2 bn
85.2%

SHAREHOLDERS FUNDS
Rs.**74.4** bn
2021/22 : Rs. 65.9 bn
12.8%

TOTAL SHAREHOLDER RETURN
83.2 %
2021/22 : 40.0%
107.9%

will be worked out, supporting economic stability in the country.

The global economy also entered rocky terrain due to the prolonged Russian Ukraine war, persistent inflation and a number of developing economies also facing high levels of vulnerability. However, India is a bright spot with the highest forecast growth rate of 5.9% for 2023, a country where we have a footprint reflecting the Group's potential for growth.

As in the case of every progressive nation, the local private sector could be a catalyst in driving economic growth and the related national agenda. The challenges faced by the Sri Lankan economy including twin deficits, balance of payment crisis, fiscal liquidity issues, unemployment and challenges faced by the youth cannot be alleviated by solitary policy measures. It is apparent that extensive reforms addressing the root causes of the crisis, establishment of a robust and forward-thinking national economic policy, accompanied by a strong implementation mechanism and a sense of commitment amongst its people is also required. Further, the government must take firm action to ensure that the right people are in the right positions to fulfil its ambitious program. Promoting transparency and accountability throughout the process will contribute to rectifying the situation and establishing a more effective and sustainable framework. Our company is ready to play its part in this national effort.

Agile & Responsive

Our strategy needed to be agile and responsive to the changing dynamics of the country's economic landscape to deliver value to our key stakeholders. It is worth noting the Group's contribution to the socioeconomic recovery made during the year with a few examples. Aitken Spence Travels was by far the largest promoter of Sri Lanka as a destination for tourists, accounting for the largest number of tourist arrivals during the year as it developed new source markets and revived traditional ones to drive growth in this Sector that is vital to restore foreign currency inflows. Our Money Transfer segment facilitated foreign exchange inflows to the country while also supporting livelihoods of a network of over 2,000 sub-agents. Directly and indirectly, plantations and apparels and printing segments facilitated foreign exchange inflows of a further USD 27.6 million in the Strategic Investments sector. The power and plantations segments contributed 164,002 MWh of renewable energy to the main grid during the year, contributing to the country's energy security.

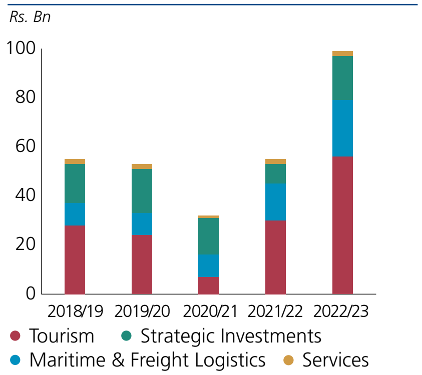
Delivering Sustainable Value to Investors

Aitken Spence PLC recorded 79.4% growth in revenue and 85.2% growth in Profit from operations excluding exchange gain amidst converging challenges that prevailed during the first half of the year. The impact of tightened monetary and fiscal policies reduced this to a Profit after tax of Rs. 8.1 billion during the year, reflecting the resilience of the Group.

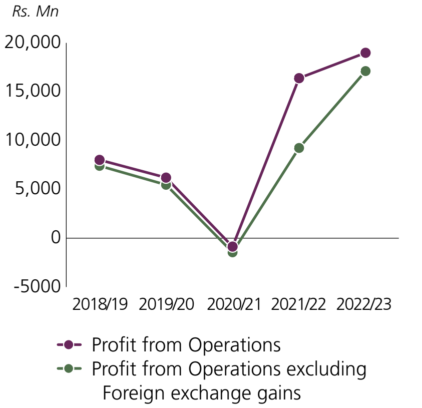
The effective tax rate increased significantly from 14.5% to 27.9% reflecting the impact of increased tax rates on the second half of the year as well as its impact on deferred tax balances. Accordingly, the tax charge increased to Rs.3.1 billion compared to Rs.2.1 billion in the previous year. Profit after tax of Rs. 8.1 billion clearly reflects the impact of tightening monetary policy and fiscal policy as it decreased by 33.6% from Rs.12.2 billion recorded in 2021/22.

The profit attributable to equity holders was Rs. 6.6 billion resulting in an earnings per share of Rs. 16.36 compared to Rs. 25.96 achieved the previous year. Shareholder wealth increased by 12.8% to Rs. 74.4 billion. The total shareholder return for the year was 83.2% as the price per share increased from Rs. 73.70 in 2021/22 to Rs.131.00 as at 31st March 2023 along with

Revenue



Profit from Operations



a proposed dividend declaration of Rs. 4.00 per share for the year. Market capitalisation increased to Rs. 53.2 billion with the Group accounting for 1.36% of the country's total market capitalisation.

Total assets of the Group increased by 8.6% to Rs.214.3 billion largely due to foreign currency conversion of the Group's hotels portfolio as capital expenditure was curtailed to what was necessary given the fluidity of policies regarding investment and the high interest costs. The current ratio remains healthy at 1.28 times reflecting prudent management of working capital across multiple industries and countries. Financial leverage has been maintained at 2.52 times in line with the previous year reflecting a prudent risk appetite for funding risk.

A Portfolio View

The Group's portfolio is actively managed by the parent company through oversight by the Board, the Audit Committee and the Group Supervisory Board who have remained vigilant throughout the year as risks evolved and converged. They were a vital link to driving synergies and implementing harmonised policies across the 16 operating segments of the Group as segment management teams dealt with multiple operational challenges. The able leadership provided by segment CEOs in delivering the results this year is commendable as we navigated a turbulent year that impacted internal and external stakeholders in numerous ways.

Tourism Sector - By March 2023, global tourist arrivals had rebounded and reached a level only 19% below pre-pandemic levels (2019). This significant recovery enabled the tourism sector allowing this sector to regain its financial strength and build resilience. There are significant synergies within the Group with Destination Management developing source markets and Airlines GSA working with partners to increase passenger seat capacity. The Tourism Sector accounts for 55.1% of the Group's total assets, and 3,349 of the employees reflecting the capital and people intensive nature of the business. The portfolio was rebalanced during the year with the sale of Raafushi Resort to mitigate exposures in the sector.

Maritime & Freight Logistics Sector - The Maritime & Freight Logistics sector recorded yet another stellar year leveraging its broad presence across the value chain. A collaborative approach supported customer acquisition and expanding the share of business as customers became more focused on building resilience in their supply chain logistics. The sector has no interest-bearing liabilities except for bank overdrafts and lease liabilities which buffered it from the impact of interest rates. The CINEC Campus plays a value adding role creating much needed talent pools, paving the way for capacity building in the country. The Sector accounts for 11.0% of the Group's total assets as a more capital efficient sector which is well positioned for growth in established markets as well as new markets.

Strategic Investments Sector - The Strategic Investments sector comprises the Group's investments in power, apparel, printing and plantations. Revenue of the sector reflects buoyant tea prices, diversification within the plantation industry and higher activity levels in Printing and Apparels. Operating profit margins declined due to the volatility in exchange rates and a significant increase in direct and indirect expenses of the power segment. Total assets of the sector increased during the year due to the acquisition of Sagasolar, the Group's first solar power plant and the increase in receivables, with total assets accounting for 31.2% of Group assets.

Services Sector - Performance of the sector was dampened by the downturn in the construction industry which impacted the elevator agency business while other segments turned in healthy improvements in performance. Insurance operations had a stellar year recording the highest ever profits. Money transfer operations witnessed an increase in transaction volumes but profits declined due to the appreciation of the rupee towards the close of the year.

Strategic ESG integration (GRI 2-22)

Our governance structures are built on the commitment to uphold the highest business ethics, in compliance with applicable laws and regulations. This is reinforced through the Employee Code of Ethics and Professional Conduct which is applicable to all employees and directors. The Group's zero tolerance for bribery, corruption and unethical behaviour is clearly articulated in this, ensuring that all employees are informed about the Group's stance as it is part of every employee's orientation.

As an early champion of ESG and sustainability, the Group remains committed to the UN Global Compact and its 10 principles which are integrated into our governance structures, the Group's sustainability policy and implementation framework as well as other Group policies. Moreover, the sustainability mindset which has evolved over more than a decade of formal commitment has created a culture of mindful governance which underpins the key decision-making processes of the Group.

I am delighted to share that our Group has recently invested Rs. 1.4 billion in Sagasolar Power (Private) Ltd, securing ownership of one of Sri Lanka's largest ground-mounted solar power plants which is located at Hambantota. This strategic move is in line with our Group's pledge to invest in renewable energy, supporting our mission to achieve net zero emission status by 2030. This acquisition not only strengthens our portfolio but also demonstrates our unwavering commitment towards reducing our resource consumption to foster a sustainable future. Climate change is one of the most pressing concerns of this generation and we are transforming our businesses and greening our supply chains to meet the net zero emission mandate of the Group. Expansion of our renewable energy portfolio is part of the plan of action towards this. We continue to look beyond managing impacts to making a positive impact through climate change mitigation and adaptation.

Sustaining Stakeholder Value Propositions

Maintaining the balance between the value created for stakeholders and the value derived from stakeholders has been key to our success. Implicit in all our transactions is the concept of fair dealing and ethical business conduct, paving the way for the growth of mutually beneficial relationships across the supply chains of our businesses. Our stakeholders continue to strengthen our business resilience and we are deeply appreciative of their contributions to our growth journey. We wish to thank our bankers, for the support extended in managing both foreign exchange and domestic liquidity as well as the funding support and advice provided. We also wish to acknowledge the confidence placed in us by our strategic business partners who were unwavering in their support.

Spensonian Grit

It was a tough year for Spensonians as we dealt with challenges both at the workplace and in our personal lives as the socioeconomic crisis deepened in the first half of the year. We are immensely grateful for the invaluable contribution of every Spensonian in overcoming the most challenging times, as their resilience and dedication were instrumental in achieving the results outlined in this annual report. The unwavering commitment and generous efforts of each team member have been pivotal to our success. On behalf of the shareholders and the Board, I wish to thank the Spensonians for their steadfast commitment to the Company as we count on their skills and expertise to drive growth in the next year.

Looking Ahead

In the first four months of 2023, there has been encouraging recovery in the country. However, the country's debt optimisation process is still ongoing and has not been finalised. The approval of the IMF Extended Fund Facility and the initial disbursement of funds have helped alleviate foreign exchange pressures. Import restrictions have contributed to narrowing the external account deficit. While declining exports are a concern, the influx of worker remittances and the growth of the tourism industry have supported foreign exchange liquidity.

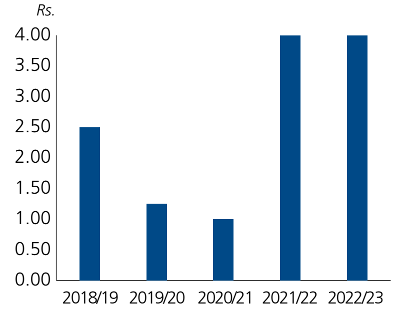
We will continue to explore opportunities in the markets we operate and in the surrounding regions, whilst exploring synergies across our wider group, sister companies and partners to harness greater efficiencies and value to our stakeholders. With resilience and agility, we will continue to re-strategise our businesses to suit the ever-changing market conditions and economic landscape.

Sri Lanka's pursuit of becoming a maritime and logistics hub is promising, and with sustained efforts, the country can further strengthen its position. The country's advantageous size, strategic location, and well-developed port infrastructure provide a strong foundation for its aspirations. With significant expertise in the industry our company is committed to playing its part in seizing the nations potential and help unlock new opportunities for trade and economic growth.

In the hospitality sector this includes re-examination of strategies, business and operating models including experiential product and food & beverage offerings. This includes exploration of design elements to align same to the ever-changing consumer preferences and demands whilst prioritising sustainability, technology, authenticity, and personalisation to stay relevant to our future consumers and stakeholders alike.

With a pioneering spirit, the Group undertook the construction and operation of Sri Lanka's first waste-to-energy facility. This plant has played a crucial role in maintaining the cleanliness of the city of Colombo and reducing the burden on landfills over the past

Dividends per Share



two and half years. However, the long-term sustainability of the project is now at risk due to unprecedented increases in interest rates, significant depreciation of the Rupee, and delays in receiving settlements from the CEB. Adjustments to the tariff structure are necessary to ensure sustainable operations and the project's viability. Additionally, introducing a tipping fee aligns with the established global practice followed by municipalities for proper solid waste disposal.

The Group's renewable power plants, along with other existing renewable energy facilities operating in Sri Lanka face significant challenges under the current tariff structures. It is imperative to revise these structures, considering the prevailing high interest rates and increased costs of operations. These investments struggle to secure financing for the servicing of debt commitments incurred during the project implementation phase. Furthermore, the financial difficulties faced by these companies are exacerbated by the prolonged delays in receiving settlements from the CEB.

Overall, the Group acknowledges the need for strategic adaptation and collaboration to navigate the changing economic conditions. We recognize the importance of aligning with consumer preferences, prioritizing sustainability, and addressing financial challenges to ensure the viability of our projects and operations.

Acknowledgements

On behalf of the Board, I place on record the invaluable contribution made by Mr. G.C. Wickremesinghe, who retired during the year, having served the Group for over 50 years. Although he passed away shortly after retiring, his legacy lives on, leaving a lasting and profound impact within the Group. His exceptional work ethic and conduct set remarkably high standards that continue to resonate throughout the organisation.

I wish to thank the Spensonian team for their unwavering commitment to deliver on strategic goals, overcoming challenges with ingenuity and swift actions. I would like to express my heartfelt gratitude to our strategic and business partners for their unwavering confidence in us, even during times of heightened risks in the country. The support and collaboration we received from them have been invaluable. I am also immensely grateful to our diligent and visionary Board members for their counsel and the leadership team for navigating the challenges of the past year with exceptional skill, resulting in minimal setbacks. Lastly, I extend my sincere thanks to our shareholders, whose trust in our ability to generate sustainable returns ethically continues to inspire us.

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

06th June 2023

Colombo

DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

Dr. Parakrama Dissanayake
Deputy Chairman and Managing Director

REVENUE
Rs.**98.1** bn
2021/22: Rs.54.7 bn
79.4%

EBITDA
Rs.**30.1** bn
2021/22: Rs.23.1 bn
30.3%

TOTAL ASSETS
Rs.**214.3** bn
2021/22: Rs.197.3 bn
8.6%

VALUE ADDED PER EMPLOYEE
Rs.**6.1** mn
2021/22: Rs.4.7 mn
30.3%

Aitken Spence has yet again demonstrated resilience and agility through our commitment to adaptability, acuity and awareness by successfully steering the course of the Group to overcome the unprecedented challenges and uncertainties faced during the year. Through maintaining situational awareness, acknowledging external factors beyond our control and adapting accordingly, we have successfully managed our strategic approach throughout the year. Leveraging our insights and hindsight, we have anticipated future developments and safeguarded the interests of all our stakeholders. As we look ahead, we remain dedicated to seizing new opportunities and delivering exceptional value to our stakeholders, irrespective of the obstacles we may encounter.

Overcoming Challenges: Building a Stronger Sri Lankan Economy

Sri Lanka experienced economic stress, social unrest and political instability causing systemic shocks which had a wide-ranging impact on the people of Sri Lanka. The first quarter of the financial year began with challenges such as the suspension of foreign debt payments, increasing inflation, a shortage of foreign exchange liquidity, a severe energy crisis and a significant devaluation of the currency. The country's inflation reached unprecedented levels with food inflation reaching as high as 94.9% in September 2022. Encouragingly, policymakers have since been able to rein in inflation during the latter part of the financial year.

Sri Lanka was downgraded by major international rating agencies during the year exerting further pressure on the country's financial system. The paucity of foreign exchange had a significant impact on international trade as payments to shipping lines and airlines were delayed, posing a challenge even on the ability to retain the agencies in Sri Lanka. The year began with a significant 700 basis point increase in policy rates in April 2022 aimed at curbing inflation, which resulted in higher borrowing costs for companies. The value of the rupee depreciated by more than 20% in the first quarter but experienced some relief in February and March 2023 with a slight recovery. The Government approached the IMF for assistance, leading to the implementation of tax reforms to boost Government revenue. However, these reforms had a noticeable impact on consumer purchasing power, affecting business growth.

During the fourth quarter of the financial year, the rupee experienced an upward trend against the USD. This appreciation was driven by improved liquidity as a result of the suspension of external debt repayments, the implementation of import restrictions, and the anticipation of receiving funding from the IMF. Policy rates were raised by 100 basis points in March 2023, supporting efforts to control inflation and fulfilling requirements for the IMF Extended Fund Facility. While there was some relief in supply chain disruptions and shortages of essential items due to temporary improvements in foreign exchange liquidity, certain import restrictions remained in place. Export performance declined as demand weakened in advanced economies amid inflationary pressures and a slowdown in economic growth.

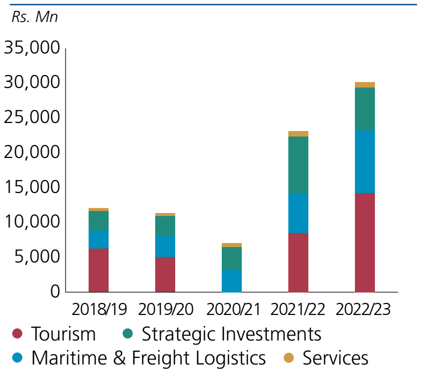
Propelling Growth in Highly Unpredictable Times

The Aitken Spence Group recorded top line growth of 79.4% to Rs.98.1 billion despite the converging challenges during the financial year with all segments in the four Sectors contributing to growth. EBITDA increased by 30.3% reflecting the contribution from all Sectors. The Maritime & Freight Logistics Sector and the Tourism Sector demonstrated remarkable growth in their EBITDA figures for the year. However, the Tourism Sector faced challenges in terms of post-interest cost figures due to the burden of high interest expense, which hindered its overall profitability. EBITDA of the Group excluding foreign exchange gains reflected a growth of 77.0%.

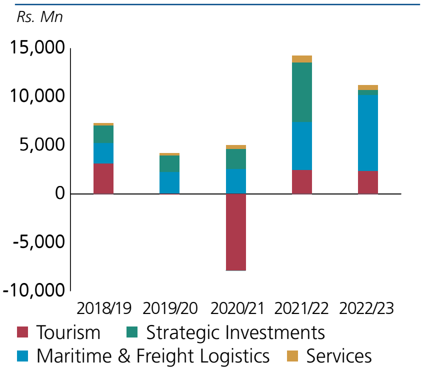
The Group's profit before tax decreased by 21.3% to Rs.11.2 billion, primarily influenced by the decline in foreign exchange gains compared to the previous year and the high interest cost incurred during the year. When adjusted for foreign exchange gains, profit before tax demonstrates a growth of 31.9%, amounting to Rs. 9.3 billion compared with Rs. 7.1 billion in the previous year. This adjusted measure provides a fairer evaluation of performance, considering the significant volatility of the exchange rate witnessed since mid March 2022. Profit after tax declined by 33.6% as corporate tax rates increased significantly during the year with a corresponding increase in the deferred tax provision of the Group.

The Group's strategic focus on geographical diversification has yielded fruitful results, with the overseas sector making a significant contribution of over 60% to the Group's profit before tax. In the year under review, the Maritime & Freight Logistics Sector made the

EBITDA



Profit before Taxation

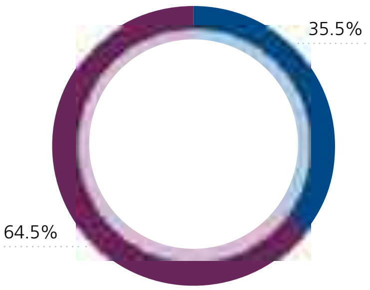


DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

highest contribution of 69.8% to the Group's profitability, followed by the Tourism Sector contributing 20.8%, Strategic Investments Sector contributing 4.8% and Services Sector contributing 4.6%. The robust growth of the Maritime & Freight Logistics Sector played a crucial role in supporting the overall performance of the Group. All five segments within this Sector made positive contributions, demonstrating their strength and resilience. Additionally, the performance of the Group was significantly bolstered by the notable contributions of segments such as apparel manufacturing and hotels in the Maldives. Through focused marketing initiatives and strategic adjustments, Turyaa Chennai underwent a substantial transformation in its performance, resulting in the hotel achieving a profit before tax for the first time since its inception.

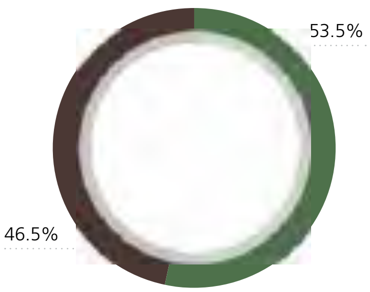
Geographical Analysis of Profit before Tax

For the year 2022/23



Geographical Analysis of Total Assets

As at 31st March 2022/23



The business environment in the first few months of the financial year was characterised by a rapid increase in interest rates and the devaluation of the Sri Lankan Rupee. These factors created a high level of uncertainty in the market. The situation was further complicated by liquidity shortages in both domestic and foreign exchange markets. The fluctuation of foreign exchange rates posed a significant challenge for the Group. The Group's profitability was affected by a substantial rise in interest expense, which had an adverse impact on the performance of capital-intensive segments such as power and hotels that rely heavily on borrowings to finance their infrastructure. The power segment was also impacted by increased working capital cost because of the long delays experienced in the settlement of dues by its sole customer, the Ceylon Electricity Board.

Over the span of 150 years, our foresight and insightful decision-making have guided us to strategically invest in businesses that generate foreign exchange. This long-term vision proved to be exceptionally advantageous during this tumultuous year, as these investments have played a pivotal role in ensuring uninterrupted operations across all business segments of our Group. The invaluable foreign currency inflows resulting from these investments have enabled us to efficiently import vital raw materials and spare parts, whilst also facilitating timely payments to our shipping and airline partners. As a result, our manufacturing segments have greatly benefited, and our commitment to maintaining a seamless supply chain has been unwavering, devoid of any significant disruptions.

The Group recognises the significance of digital capital in our journey to success. Our investments in digital infrastructure and AI technology, nurturing talented individuals, forging strategic partnerships and mitigating risks have assisted us in the growth of the Company. Embracing digital innovation has empowered us to enhance efficiency, elevate customer experience and uncover new avenues for growth. Together, we are steadfast in our commitment to remain at the forefront of the digital era.

ESG and Sustainability (GRI 2 – 22)

Our Commitment

Our governance framework is founded on unwavering dedication to business ethics, strict adherence to relevant laws and regulations and a resolute stance against bribery, corruption and unethical practices.

We maintain open lines of communication with our supply chain partners to reinforce their commitment to environmental, social, and governance (ESG) principles. Simultaneously, we continually enhance our own strategic business units by expanding the scope and depth of our commitment to ESG. A core aspect of our governance framework is our steadfast adherence to the UN Global Compact and its ten principles, which are integrated into our governance structures, sustainability policy and its implementation framework and other policies such as our Code of Ethics and Professional Conduct.

Our voluntary endorsement of the UN Global Compact marked 20 years in May 2022. We actively engage with our teams to work on the key priorities of human rights, labour standards, environment and anti-bribery and corruption within our operations. The highest ethical standards as well our ESG benchmarks are upheld in our operations, whether it is a sale of a product or bidding for government projects.

Climate Change

Climate change stands as one of the paramount challenges of our time, prominently addressed at COP 27, underscoring the urgency of bolstering efforts in climate change mitigation. In 2022, our Group publicly pledged to attain net zero emission status by 2030, becoming signatories to the Science Based Targets initiative (SBTi). To achieve this ambitious objective and make significant contributions to Sri Lanka's climate change-related Nationally Determined

Contributions (NDCs), we partnered with the National Cleaner Production Centre. We are working together to establish benchmarks, set targets and devise a practical action plan aligned with our strategic priorities. These endeavours exemplify our steadfast commitment to addressing climate change and integrating sustainable practices into our operations.

Synergising Insight : Unleashing Leadership and Strategy

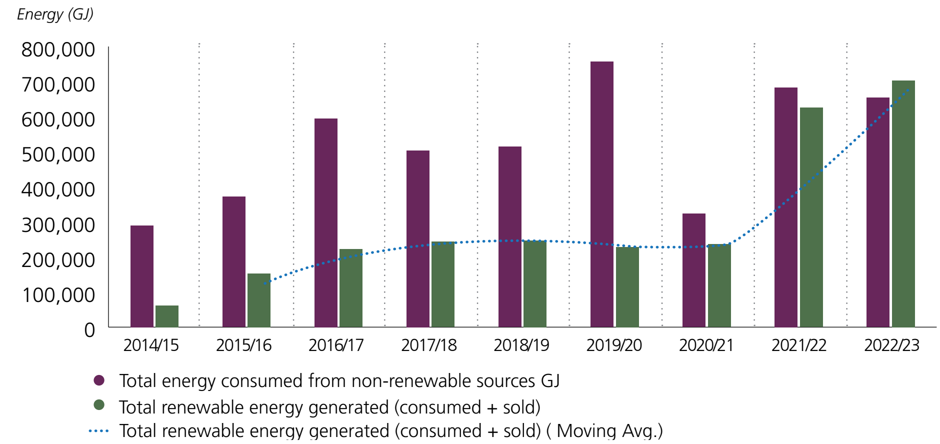
The Group remains committed to identifying growth opportunities that align with our strategic objectives. We carefully evaluate opportunities based on industry relevance, potential returns, sustainability and our ability to create value. By taking a diligent approach to growth, we ensure that any expansion initiatives are well-suited to the Group and have the potential to contribute positively to our overall success.

Accordingly, the power segment portfolio was expanded with the acquisition of Sagasolar Power (Pvt) Ltd, adding 10 MW to our renewable energy generation capacity at an investment of Rs. 1.4 billion. The Group now contributes to provide for just over 1.4% of the country's peak energy demand with renewable energy.

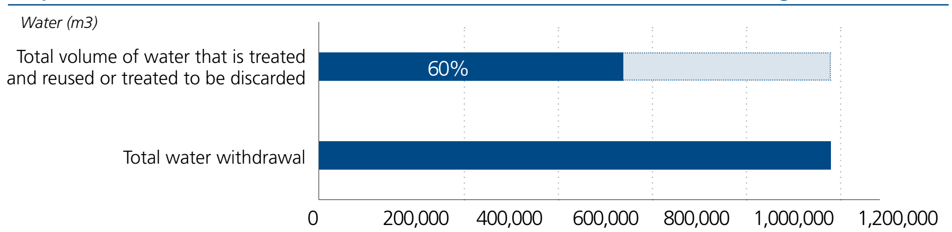
The Group also invested in a joint venture for freight forwarding in Cambodia, further expanding its geographical footprint. The Group also commenced construction of a 100,000 sq.ft container freight station at a cost of Rs.1.6 billion. This new facility will significantly expand our existing capacity, enabling us to handle more cargo and better serve our customers.

In line with our commitment to continuously improve our business operations and enhance customer satisfaction, we have invested Rs. 4.5 billion during the year. These investments are intended to ensure that our operations remain relevant and equipped to serve our customers' evolving needs. Moreover, the investments will support our expansion efforts, enabling us to extend our reach and serve more customers in new markets.

Progress Made in the Renewable Energy Scope



Proportion of Total Water Withdrawn that is Treated for Safe Reuse / Discharge



Throughout the year, we fine-tuned our strategic goals and objectives, outlining our growth aspirations in the short, medium, and long term. To achieve this, we have embraced a combined approach of transformational and transactional leadership within our organisation.

Our transformational leadership approach focuses on driving significant changes within our organisation. We aim to enhance our management practices, foster a positive corporate culture, leverage information systems, promote digitalisation, and improve our business processes. By empowering our employees and encouraging them to challenge conventional norms, we create a dynamic and innovative environment that fuels progress. We also recognise the importance of transactional leadership, which ensures

DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S MESSAGE

the effective management of our day-to-day operations and the achievement of specific goals through structured processes. This allows us to maintain operational efficiency and successfully accomplish our objectives alongside our transformative initiatives.

Transforming Futures: Empowering Growth through Innovation and Impact

With a strong emphasis on talent management and shaping the future of work, the Group recognises the significance of different generations. Our management approach revolves around identifying and harnessing the right talent while understanding the unique needs of diverse generations. To ensure effectiveness, talent management is implemented through a Segmentalised, Targeted and Positioned (STP) strategy, acknowledging the importance of individualised approaches.

The Group's Diversity, Equity and Inclusion strategy and policy was rolled out during the year, articulating our commitment to create a diverse workforce that is empowered to strengthen their careers with the Group. As signatories to the Women's Empowerment Principles, the Group has integrated frameworks to enable equal access to opportunities in recruitment, career progression and development into every aspect of our businesses, especially with the aim of increasing female representation across all levels at Aitken Spence. The 2022 – 2023 theme #SpenceWomenAtWork brings together a suite of policies that support women at the workplace with the intention of retaining them and ensure career progression. Flexible working has been facilitated through the semi virtual mobility architecture strengthening our employee value proposition. This year the Group increased maternity leave to 100 days and introduced paternity leave of 5 days for the first time in the Group, enriching lives beyond the workplace through supportive policy frameworks.

With a strong emphasis on talent management and shaping the future of work, the Group recognises the significance of different generations. Our management approach revolves around identifying and harnessing the right talent while understanding the unique needs of diverse generations. To ensure effectiveness, talent management is implemented through a Segmentalised, Targeted and Positioned (STP) strategy, acknowledging the importance of individualised approaches.

The Aitken Spence School of Management continues to play a vital transformational role across the organisation, preparing executives and management for the future of work. As a part of the Group's efforts for transformational leadership, targeted succession development programmes were conducted for senior management personnel across the Group.

Our commitment lies in establishing the necessary structures, benefits, policies, and fostering the right mindsets to address and mitigate the potential loss of our talented workforce due to socioeconomic challenges. By implementing a comprehensive framework of supportive policies, we aim to provide the necessary support and leverage to retain our talented Spensonians and create an environment that encourages their growth and development within the organisation.

Future outlook

We continue to monitor developments in the macroeconomic outlook of the world, regions and countries that we operate in, in-order to revise strategies to strengthen our resilience. In Sri Lanka, external debt restructuring continues to be a key uncertainty as the country is in discussions with major creditors. Its impact on domestic debt restructuring and impact on businesses and financial institutions is also still unclear although there is a high probability of impact.

The restructuring of State-Owned Enterprises (SOEs) in Sri Lanka is of utmost importance to address the issues of mismanagement, corruption, and financial losses while creating opportunities for sustainable growth. The key factors for successful restructuring include public oversight, transparent management practices, and minimising political interference. The Government's role should be to primarily focus on oversight rather than interference. Strengthening oversight committees and conducting regular financial audits are recommended to ensure efficient restructuring and mitigate the burden on the country's budget deficits.

Sri Lanka's quest to become a maritime and logistics hub is an area of interest to the Group given its leading position in the country's logistics sector. Sri Lanka's aspiration to establish itself as a Maritime Hub has gained momentum, evident in its notable improvement in the Logistics Performance Index (LPI) ranking. The country's LPI score has increased from 92 to 73, reflecting advancements in various aspects of logistics performance. Given its advantageous size, strategic location, and well-developed port infrastructure, Sri Lanka should set higher targets for its LPI ranking. While progress has been made in all LPI criteria except customs management, it is imperative for Sri Lanka to intensify efforts in implementing initiatives such as ASYHUB and Port Community Systems, ensuring adherence to well-defined timelines. The remarkable growth of countries like Papua New Guinea in their LPI rankings serves as inspiration for Sri Lanka. To sustain its positioning as a Maritime Hub, Sri Lanka must align its port capacity expansion plans with essential system developments and policy enhancements. By prioritising seamless connectivity and continually enhancing logistics performance, Sri Lanka has the potential to emerge as a leading regional player. It is crucial for Sri Lanka to make prudent policy decisions and remain focused on translating its aspirations into tangible achievements.

As tourism is gaining momentum, Sri Lanka needs to strategically rebrand itself to effectively position the country as a secure and attractive travel destination. These campaigns are essential to expedite the revival of the vital tourism industry. It is equally important for the relevant authorities to collaborate with private sector players who are investing in promoting the destination.

The Group’s geographical and industrial expansion will continue in line with its stated goals of establishing a presence in new countries and new industries segments. Integration of sustainability will continue with concerted efforts for environmental and social development with investments to improve resource efficiency and strategies to reduce dependence on fossil fuels. We will also continue our ongoing efforts and investments to increase green cover which contribute towards carbon sequestration.

Acknowledgements

I extend my heartfelt gratitude to the Group Supervisory Board, Management Council and Senior Leadership Team, for their invaluable support in executing our strategies and achieving exceptional performance, particularly during these challenging times. Managing unprecedented times with resilience was possible due to the foresight of our leadership and the continued goodwill and trust of our key stakeholders. I thank the Board for their counsel during turbulent times and the Chairman Deshamanya D.H.S. Jayawardena for his astute leadership, visionary guidance, policy direction and strategic inputs, afforded. I am appreciative of the support of our strategic business partners including customers, principals, joint venture partners, bankers and suppliers during this time. I thank our Spensonians who delivered a commendable performance in a year of personal and professional challenges. As we continue our journey to expand and create value for our stakeholders, we rely on the ongoing trust and confidence of our shareholders. We are committed to pushing the boundaries and exploring new opportunities to deliver sustainable growth and success.

Dr. Parakrama Dissanayake
Deputy Chairman and Managing Director

06th June 2023
Colombo

SHARED GROWTH THROUGH STAKEHOLDER ENGAGEMENT

(GRI 2-25,-29)

Aitken Spence adopts a proactive approach to identify and address impacts across our operations, the use of our products or services, and our supply chain. This proactive approach plays a vital role in our sustainability strategy by allowing us to gain insights into both potential and actual impacts through the valuable concerns and feedback provided by stakeholders. By doing so, we aim to minimise any potential negative consequences while maximising positive outcomes. Additionally, this approach enables us to assess the effectiveness of our strategies and action plans, ensuring the sustainability of our social, environmental, and economic initiatives. As reflected throughout our illustrious history of more than 150 years, we believe it is crucial to engage with stakeholders in order to identify and manage impacts, thus facilitating the growth of our business.

Each stakeholder holds a unique influence over our operations and can be affected in different ways. Therefore, we tailor our engagement efforts to accommodate the specific needs and preferences of each stakeholder. To determine the stakeholders to engage with, we assess the extent of impacts or the degree to which our decisions can affect them.

Our process for engaging stakeholders

- Identify all stakeholders
- Identify stakeholders to engage with
- Develop stakeholder engagement plans tailored to each stakeholder group
- Monitor feedback and analyse trends, stakeholder needs and areas for improvement
- Document findings and review key outcomes of reviews with the management
- Determine and implement remedial action
- Communicate on action taken to stakeholders using determined channels of communications as applicable

The summarised results of our stakeholder engagement process is given in this section of the report.

The shareholder feedback form provided with this report as well as our website (www.aitkenspence.com/feedback) can be used to give us feedback on our disclosures. Feedback collected from this form will be used to improve the information provided in this report.

Stakeholder Group	Employees	Customers & Buyers
Method of engagement	» Direct communications » Performance reviews » Employee engagement activities » HRIS system » Social media	» Direct contact » Meetings » Feedback forms » Surveys » Buyer reviews » Social media
Key points of contact	» HODs » HR Partners » MDs » CHRO » Group HR	» Sales teams » Reservations teams » Communications teams
Frequency of engagement	» Daily » Planned routine engagement (bi-annual / annual reviews) » On requirement (Open Door Policy)	» On requirement / immediate where necessary » Routine reviews as planned by the segments
Stakeholder concerns	» OHS / wellbeing » Learning & development » Labour standards » Quality of work » Career progression » Remuneration and benefits	» Quality / best value for price paid » Fast delivery » Reliable service » Unique experiences » Personalised service » Sustainable products and services » Certification of products / services in key markets
Mechanisms to handle grievances/ feedback	» Open door policy » Segmental HR Partners for direct assistance » On site counsellors (apparel segment) » Mid-year / annual reviews » Tools enabled on the HRIS including Training Needs Assessment form, Personal and Professional Goal Planning tools etc.	» Complaints and other feedback obtained is investigated by the respective teams and preventive / corrective action is taken upon consultation with senior management. Responses are planned aligned to communication strategies of the Group / SBU.
Our commitment	» Provide a safe and inspiring working environment supporting personal and professional growth through fair remuneration and talent development.	» Work towards innovating our processes to provide best in class products and services to customers.

Investors, Shareholders, & Financial Institutions	Governments & Regulators	Community	Suppliers & Service Providers	Environmental/ Social Lobby Groups & Voluntary Endorsements
» Meetings/ discussions » Investor audits » Public disclosures » Direct reporting	» Meetings/ discussions » Audits » Public disclosures » Direct reporting	» Direct exchanges » Community development initiatives » Social media	» Discussions » Trainings » Reviews » Direct written exchanges	» Meetings » Public disclosures » Direct reporting » Social media
» Top / Senior management » HODs » Relevant team leaders	» Senior management » Relevant team leaders	» Community Relations Managers (for specific segments) and EMRs » Senior management / HODs » Relevant team leaders	» Senior management » HODs / Central Purchasing Unit » Relevant team leaders	» Community Relations Managers (for specific segments) and EMRs » Senior management / HODs » Relevant team leaders
» Annual General Meetings / Extra-ordinary General Meetings » On requirement » Routine reviews where mandated / as agreed	» On requirement » Routine reviews where mandated	» On requirement » As planned by the segments to gather and review feedback	» On requirement » Routine reviews as agreed	» On requirement » Routinely as agreed (e.g. Working Group meetings of the UNGC)
» ROI » Interest rates » Taxes » ESG	» Compliance » Collaboration for knowledge sharing / policy development / research	» ESG » Development opportunities	» Profit » Reliable service » Long-term business relationships » Strong networks for opportunities » Referrals » Project planning	» ESG » Development opportunities » Education and awareness about the SDGs, NDCs for Sri Lanka » Commitments for sustainable development
» Discussions and communication on reviews » Top level engagement to investigate grievances / complaints and implement corrective / preventive measures.	» Direct written / verbal communication » One on one consultations	» Direct communications to understand grievances » Senior level engagement to investigate grievances / complaints and implement corrective / preventive measures.	» Regular engagement mentioned above. Received feedback is investigated by the respective teams and action is taken in consultation with senior management.	» Senior level engagement to investigate grievances / complaints and implement corrective / preventive measures.
» To deliver returns commensurate with the risks undertaken and keep them apprised of our progress and challenges in a timely and transparent manner.	» Continue to establish and maintain governance structures that comply with legal and other regulatory requirements necessary in the industries we operate in.	» Engage in industry collaborations to strengthen economic development, enhance social sustainability and ensure environmental protection.	» Support mutual growth with reliable and sustainable supply chains.	» Be a partner to promote and achieve sustainable development

DETERMINING MATERIALITY

(GRI 3-1 to 3)

As a responsible organisation, we make it our duty to create sustainable value through our business activities. Aligned to the Group's goals and key objectives, our sustainability strategy strives to;

» take proactive action towards the identification and management of significant adverse impacts that could harm to the environment, the society and the economy; and

» enhance positive outcomes and opportunities;

to contribute towards local and global development needs.

We continue to refine our approach to determine material matters for the Aitken Spence Group, within the boundary explained in the 'About the Report' section, taking into consideration the outputs and outcomes of our businesses on the economy, environment, and people as well as our capitals.

ACTUAL AND POTENTIAL ECONOMIC, SOCIAL, AND ENVIRONMENTAL IMPACTS

Examples of Actual Adverse Impacts

» Depletion of non-renewable resources due to the use of fossil fuels for energy

» Impacts on water systems by the withdrawal of water for consumption

» Generation of solid waste, effluents, and emissions

» Impacts on the workforce due to workplace injuries

Examples of Potential Adverse Impacts

» Impacts of emissions on natural ecosystems

» Possible impacts on human rights due to poor labour standards within supply chains

» Possible closure of business resulting in loss of economic opportunities for local communities

OPPORTUNITIES TO CREATE POSITIVE VALUE

Examples of actual positive outcomes

» Income generation through employment opportunities and local purchasing

» Skills development for employees through learning and development strategies

» Increasing green cover through targeted reforestation interventions

Examples of potential positive outcomes

» Local economic development within the extended supply chain through opportunities channelled from our operations.

» Contribution towards developing a green workforce through environmental education and sensitisation in the workplace

To determine our significant impacts (i. e. material topics), we followed the process set out herewith. We list the activities of our operations and the aspects causing impacts and review their materiality (i. e. significance) using five criteria, and a scale of

0 – Low significance

3 – Medium significance and

5 – High significance

for each criterion. Topics thus determined to be of 'High' or 'Medium' significance (see the list of material topics overleaf) are covered in detail while topics with 'Low' significance are covered in less detail in the report.

1 LIST ALL ACTIVITIES AND ASPECTS CAUSING IMPACTS

» Identified by segmental sustainability sub-committees

» Reviewed by the Group's Sustainability Division

2 UNDERSTAND IMPACTS

» Desk research

» Internal stakeholder feedback

» External stakeholder feedback

» Input from topic experts

3 ASSESS AND RANK IMPACTS BY SIGNIFICANCE

Criteria to Assess Materiality

» Scale of Impact

» Frequency of Occurrence

» Legal Compliance

» Risk

» Public Perception

Activities and aspects causing impacts are considered 'material' if;

Impact scale + Frequency of impact are ranked medium to high
(i.e. aggregate score for both is higher than 6)

Legal compliance requirement is ranked as high
(i.e. activity requires a license or needs to meet regulatory requirements)

Risk to stakeholders is deemed to be high

Topic is of high **interest to stakeholders,**
(i.e. Public perception/ Stakeholder feedback)

The aggregate score for the above criteria is above 14
(i. e. if an adequate number of criteria out of the five listed above are ranked medium to high significance where the total score exceeds 14, it is to be considered material.)

The team uses this process combined with the collective feedback from internal teams, external stakeholder feedback and expert insights to determine the significant impacts (i. e. material topics). We group these aspects causing impacts according to the topics given in the Topic Standards of the GRI Standards and the list of material topics by significance can be seen herewith. The full list of our disclosures can be found in our GRI Index.

DETERMINING MATERIALITY

Our list of material topics by significance at Group level;

	HIGH SIGNIFICANCE	MEDIUM SIGNIFICANCE	LOW SIGNIFICANCE
Governance	» Financial governance (GRI 201, 415) » Anti corruption (GRI 205) » Anti-competitive behaviour (GRI 206) » Compliance & ESG	» Innovation	» Market presence (GRI 202)
Economic Performance	» Direct economic value created & distributed (GRI 201) » Taxes (GRI 207)	» Indirect economic value created (GRI 203)	
Environmental impact control	» Energy consumption (GRI 302) » Emission control (GRI 305) » Effluent control (GRI 303) » Water consumption (GRI 303) » Solid waste management (GRI 306)	» Supplier environmental assessment (GRI 308) » Biodiversity (GRI 304)	» Materials (GRI 301)
Social impact control	» OHS & employee welfare (GRI 403, 401) » Human rights & labour standards (GRI 402, 406, 407, 408, 409, 410, 411) » Learning & development for employees (GRI 404) » Product responsibility & customer satisfaction (GRI 416, 417, 418)	» Supplier social assessment (GRI 414) » Diversity, Equity and inclusivity (GRI 405) » Local purchasing and employment (GRI 204) » Local community development (GRI 413)	

These material matters feed into the Group's strategy formulation process and are supported by formal policies. It is supported by our **Integrated Sustainability Policy** that covers 21 policy commitments and an implementation framework that lists all recommended action to be implemented for each policy commitment, to control adverse impacts and enhance positive outcomes.

Sustainability teams across the Group evaluate and report on their progress on the implementation of these actions and conduct annual internal audits / inspections of their operations which are reviewed with the respective management teams. Where specific segments have certified management systems to manage certain topics identified as 'high significance, the progress is also externally audited. Results of these audits / inspections are discussed and reviewed with the respective management teams. The Group Supervisory Board is updated on the performance and progress on key topics at Group level on a monthly basis. Feedback from these processes is used when we repeat this process to identify and update our material topics. Our sustainability governance structure is detailed in the Corporate Governance report for further reading.

GRI Topics Covered in this section;

GRI 3: Material Topics 2021

3-1 Process to determine material topics

3-2 List of material topics

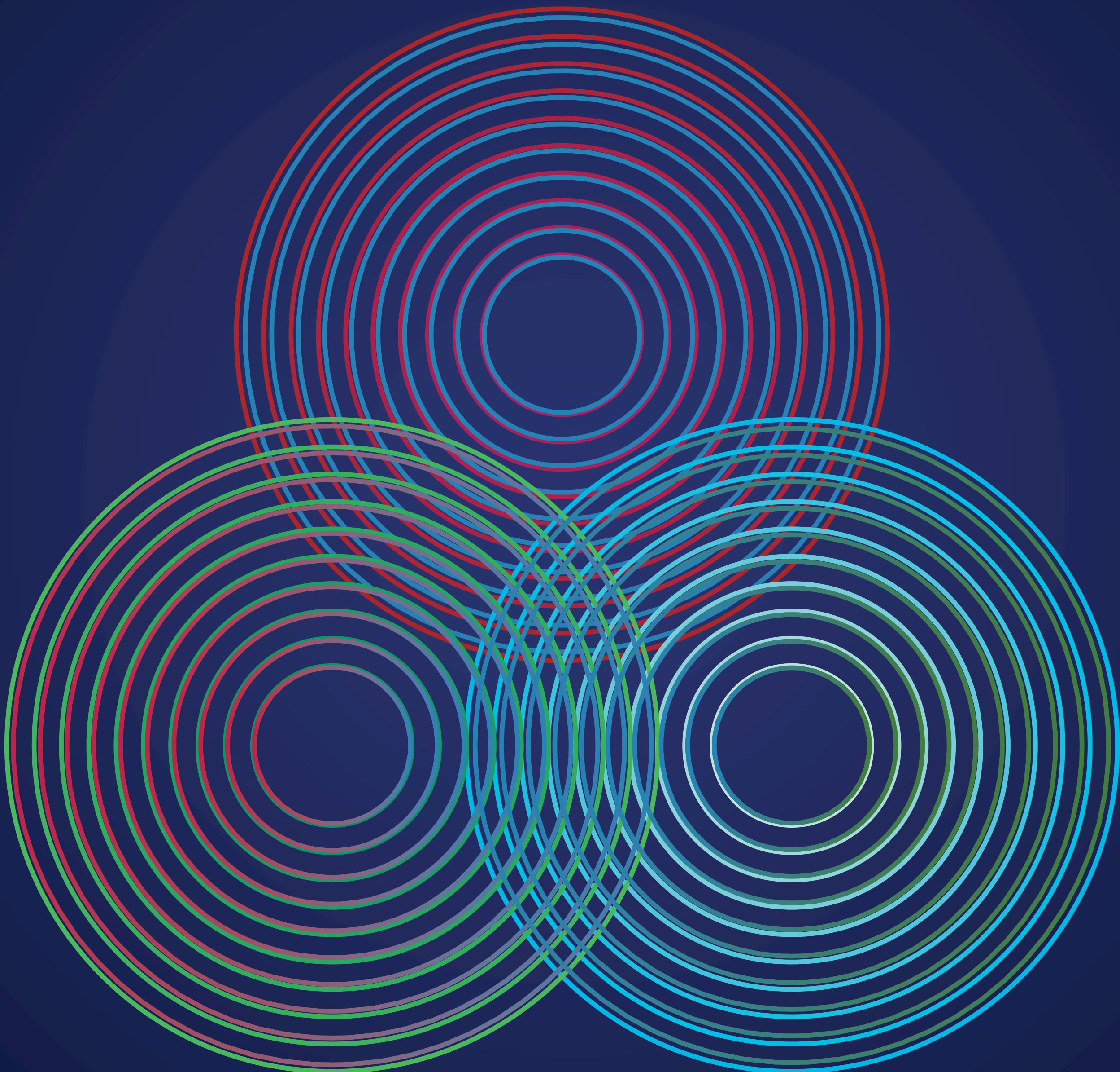
For more Information on GRI 3-3 Management of material topics, please refer to the following sections;

Corporate Governance	Page 68 to 90
Capital Reviews	Page 193 to 248
Sector Reviews	Page 120 to 192
GRI Index	Page 399 to 405

A Trichotomy of Perception

Building

Hindsight | Insight | Foresight



Purpose Driven Strategy

PURPOSE DRIVEN STRATEGY

The Aitken Spence Group, with its rich heritage of over 150 years, has seen many evolving strategic approaches taken throughout its journey to adapt and grow through the many challenging socio-economic periods faced in history. At present, the Group embraces a tripartite strategic approach to effectively navigate the challenges of a volatile, uncertain, complex, and ambiguous (VUCA) world. With a strong commitment to innovation and stakeholder value creation, the Group has experienced significant growth as a diverse and reputed conglomerate over the years. The Group has continuously been committed to its triple bottom line, placing greatest emphasis on the sustainability of its operations. Aitken Spence's strategy combines transactional and transformational leadership, empowering Spensonians to undertake impactful initiatives.

As reflected in our theme of tripartite cognition, Aitken Spence fosters self-awareness, promoting emotional intelligence and creating a supportive environment for effective leadership to undertake increasingly more impactful solutions for a better future for all stakeholders.

This purposeful tripartite cognition of the Group has driven its ability to remain attuned to its surroundings through insightful understanding and reflective hindsight, that enables the Group to lead with foresight through adversity. Aitken Spence prioritises strategic awareness by comprehending market trends, customer needs, and competitive forces for informed decision-making and goal setting.

Adaptability is central to Aitken Spence's strategy, cognisant of the dynamic nature of the business environment. The Group constantly develops and adjusts its plans, modifies objectives, re-allocates resources and explores new opportunities to remain relevant and resilient.

Continuous learning both in strategic as well as at operational levels, is ingrained in the Group's approach, leveraging on the Group’s many years of experiences to enhance decision-making and refine strategies over time.

Aitken Spence remains committed to its purpose of “Inspire to Create Great Futures for All.”

OUR PURPOSE

“Inspire to create great futures for all”

OUR VISION

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

OUR VALUES

» Reliable
» Honest & Transparent
» Warm & Friendly
» Genuine
» Inspire Confidence

OUR GOALS

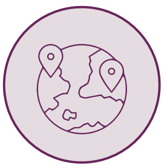
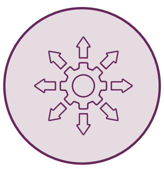
At Aitken Spence, we strive to

- contribute to the society through economic growth and the creation of wealth
- achieve geographical / industrial expansion and diversification
- accomplish sustainable growth ensuring environmental and social governance.

Our Objectives

- Achieve year on year sustainable profit growth, with an overall growth in market share in all business segments
- Expand Aitken Spence reach to new geographies
- Venture into new business segments
- Achieve net zero emissions across the Group and a reduction in the resource footprint by 2030
- Achieve Employer of Choice status

PURPOSE DRIVEN STRATEGY

Objective	Strategies
 Achieve year on year sustainable profit growth, with an overall growth in market share in all business segments	» Ongoing business transformation in identified segments of the Group and creating a detailed roadmap that outlines the operational, cultural and digital priorities in the medium and long-term » Product/ service differentiation through innovation with an aim of providing unique value propositions to customers » Strengthening of supply chain through backward integration » Business expansion by enhancement of customer reach » Targeted marketing and sales strategies » Price competitiveness » Performance review and exit strategies for low performing businesses » Improvement of operational efficiencies
  Expand Aitken Spence reach to new geographies and venture into new business segments	» Market research and entry strategies » Continuous improvement and value addition to enhance and enrich the customer experience » Explore mutually benefiting strategic alliances / partnerships » Product/ service differentiation » Invest in emergent skills and infrastructure that drive innovation » Leveraging cutting-edge technology » Realign - Reinvent – Relaunch of products and services
 Achieve net zero emissions across the Group and a reduction in the resource footprint by 2030	» Systemic efforts and progressive improvements for environmental impact control and sustainable value addition » Investments in energy efficient technology, retrofitting for greener buildings and renewable energy » Alignment to global benchmarks in ESG » Progressively improve environmental awareness among Spensonians and enable a 'Green Workforce' » Ensure a sustainable supply chain » Strategic interventions to influence sustainable consumer behaviour

KPIs	Progress 2022/23
Five-year CAGR of PBT	11%
Year on year growth in EBIT	16%
% Annual increases in;	
» Hotel occupancy	26%
» Pax handled	73%
» TEUs handled	(7%)
» Apparels manufactured	11%
» Renewable Power generated	12%
» Inward money remittances	9%

Resources Allocated

A dynamic and committed team worked with strategic partners to drive top line growth and increase market share.

» Increase in financial capital – Rs. 18.3 Bn

» Dividends declared – Rs. 1.6 Bn

» Capital Expenditure – Rs 4.5 Bn

Strategic Alignment to SDGs

New products innovated & markets secured	21
Companies acquired and incorporated during the year	3
New processes and technologies implemented	Over 10 process automations done across the Group
New customers secured	18.051
Customer satisfaction rankings and scores	A comprehensive set of customer satisfaction surveys known as Spence way was conducted across all 16 segments.

Sound business processes, industry expertise, strategic partnerships and financial strength propel our growth as we move into new businesses and new geographies.

» Investment in infrastructure – Rs.4.5 Bn

» New geographies reached – 2

» Revenue generated from external customers – Rs. 98.1 Bn

Strategic Alignment to SDGs

Energy consumed from renewable sources as a percentage of total energy demand of the Group	26.5% (Target – 50% by 2030)
Total emissions reduced/ offset	95,333 tonnes CO_{2e}
Use of harvested rainwater as a percentage of total water demand of the Group	19%
Emission sinks or green cover developed & maintained	8,109 ha
Number of natural ecosystems adversely impacted by our operations	None

Aitken Spence takes a precautionary approach to manage environmental impacts. This is driven by sound ESG frameworks and management systems integrated into our business models. Our efforts are maintained by committed, experienced Spensonians, guided by our top management, and supported by our key stakeholders.

» Investments in sustainability driven processes – Rs. 98 Mn

» Investment in renewable energy – Rs. 1.4 Bn

» Team capacity across the Group for ESG related management systems – over 600

Strategic Alignment to SDGs

PURPOSE DRIVEN STRATEGY

Objective	Strategies
Achieve Employer of Choice status	» Enhance talent bench strength for leadership and all critical positions » Establish an objective based talent management eco-system » Attract best-in-class talent using a powerful Employee Value Proposition (EVP) » Enable Performance Management (PM) practices to support organisational transformation » Nurture a value centric organisational culture » Focused talent retention for critical mass » Enhance employee experience throughout the employee lifecycle » Commitment to Diversity, Equity & Inclusion (DE&I) » Develop competencies to drive innovation and digitalisation

KPIs	Progress 2022/23	Resources Allocated
Availability of internal successors for 70% of critical roles	Identified 135 critical positions & 170 successors	This strategy seeks to attract, develop and retain talent by positioning Aitken Spence as an employer of choice by offering a unique employee value proposition » Corporate HR Team acting as the Centre of Excellence for all specialised HR functions » Dedicated 21 strategic HR Business Partners and other extended members amounting to over 130 Spensonians supporting HR needs of 16 business segments. » Investment in best-in-class HR tools amounting to Rs. 23 Mn » Total Human Capital Investment – Rs. 15.1 Bn » Centralised DE&I steering committee and subsidiary sub committees driving the "Freedom to be me" agenda **Strategic Alignment to SDGs**
Business segments using best-in-class talent acquisition tools to recruit competent talent in support of current and emerging business needs	Ongoing. Use of LinkedIn Recruiter tool Introduction of Harrisons Psychometric tool	
Develop a robust and equitable performance management system	Ongoing	
Staff retention rates of critical mass (Asst. Manager & above) against set targets	90%	
Employee engagement/ satisfaction survey score on key lifecycle touch points	74%	
Increase female representation in the Group to 45%	41%	
Number of curated HR initiatives to develop a culture of innovation	SpenceInnova Spence Hackathon Spence Robo-Leap	
Performance & potential based talent mapped to 9 box grid to identify top talent of the Group	55% completed	

VALUE CREA

Purpose

Inspire to create great futures for all

Vision

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

VALUE CREATION MODEL

OUR INPUTS: RESOURCES AND RELATIONSHIPS

Page 193

Financial Capital

Foreign exchange liquidity and resultant restrictions proved to be a challenge while high interest rates deterred borrowings and investments.

Rs. 214.3 Bn Total Assets

Rs. 86.2 Bn Equity

Rs. 56.6 Bn Total Debt

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Human Capital

High levels of economic migration increased employee turnover, placing a strain on talent pools. The combination of inflationary pressures and reduced availability of talent has had an impact on the quality and affordability of this essential resource.

13,033 Employees

Page 229

Social & Relationship Capital

Consistent and continual engagement and proven trust enabled the Group to strengthen and retain relationships during a challenging year for the country. Acknowledging stakeholder concerns through frank and open discussions paved the way for higher levels of support to manage challenges resulting from the economic conditions.

26 Joint Venture Partners

28,000+ Supply Chain Partners

50,890 Customers

Page 225

Manufactured Capital

Investments in Property, Plant & Equipment was minimal during the year due to market uncertainties and high costs of capital.

Rs. 105.5 Bn Property, Plant & Equipment

60 Locations in Sri Lanka

10 Countries

Page 217

Intellectual Capital

Our intellectual capital continues to evolve to ensure that our operations are future ready, enabling the Group to compete effectively across multiple sectors and countries.

- Governance structures, systems and processes
- Tacit knowledge
- Digital architecture
- Brand and reputation

Page 239

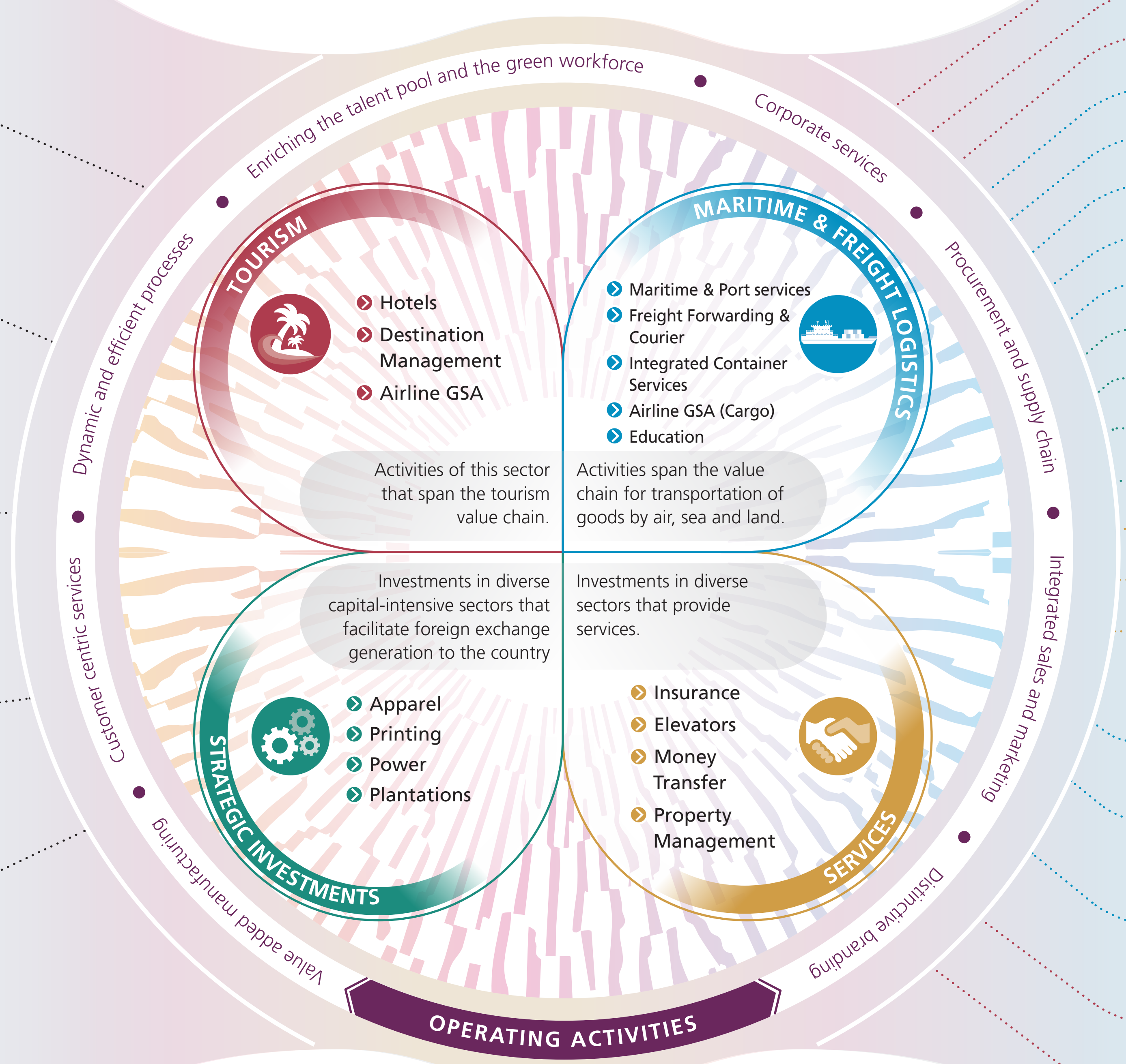
Natural Capital

Natural capital refers to the stock of renewable and non-renewable resources that contribute to producing our goods and services. To manage our natural capital, we take systemic interventions aligned to the precautionary principle such as environmental management systems, and the 7R Principle. The Group maintains 98 diverse management systems that contribute towards environmental impact control.

- Use of energy and water
- Operations interacting with natural ecosystems
- Green cover exceeding 8,080 ha
- Control of emissions, effluents, and solid waste

WHAT WE DO

OUR BUSINESS ACTIVITIES



We own and manage a portfolio of investments functionally classified into 4 main sectors and 16 segments with operations spanning 10 countries.

OUTPUT

- Tours & Excursion
- Guest Nights
- Airline Representation
- TEUs of Exports Handled
- TEUs of Imports Handled
- Liner Representation
- Courier Services provided
- Tertiary & Vocational Education
- Printing Impressions
- Tea, Rubber, Palm Oil & Minor Crops
- Renewable Energy Generation
- Apparel Manufacture
- Elevators Maintained
- Inward Remittance Transactions
- Commercial Office Space

93,411 tonnes CO_{2e} Emissions

651,347 m3 Waste water and effluents

3,519 MT and 464 units hazardous solid waste

29,795 MT and 1,240 units non-hazardous solid waste

19,966 trees added to our green cover

OUTCOMES

Economic

Rs. 47.6 Bn Value Created

Rs. 15.1 Bn Employee Benefits

Rs. 81.9 Bn Foreign Exchange Inflows Facilitated

83,741 Arrivals Handled to Sri Lanka

Rs. 1.6 Bn Dividends paid to Equity Shareholders

Rs. 10.0 Bn Direct and Indirect Exports

Rs. 9.4 Bn Taxes paid

Financial

Rs. 108.9 Bn Revenue

Rs. 11.2 Bn Profit Before Tax

Rs. 8.1 Bn Profit After Tax

9.5% ROE

Rs. 16.36 Earnings per Share

Rs. 8.9 Bn Net Finance Expense

Rs. 4.5 Bn Total Capital Expenditure

Social

13,033 Employment Generated

Rs. 42.4 Mn Invested in Training

Rs. 260.0 Mn Funds Channelled for Communities

Rs. 58.4 Bn Payments to Suppliers

19,694 Students Enrolled at CINEC

893 Suppliers Screened for ESG

Rs. 98.0 Mn Investment in Sustainability Processes

Environment

194,172 MT Residual municipal solid waste converted to energy

~1% of the Country's Annual Energy Demand Provided for Through Renewable Energy

31.4% of the Total Direct Energy Consumed from Renewable Sources

100% Effluents from Manufacturing Operations Treated for Safe Disposal

Zero Ecosystems Adversely Impacted by Our Operations

Governance

Zero Non-compliance with Laws and Regulations and Voluntary Codes of Conduct

98 Management Systems for Environmental Impact Control

82 Management Systems for OHS

57 Management Systems for Quality

TION MODEL

Our Goals

We strive to;

» contribute to society through economic growth and the creation of wealth;

» achieve geographical/ industrial expansion and diversification; and

» accomplish sustainable growth ensuring environmental and social governance.

Our Objectives

Sustainable profit growth

Geographical expansion

Diversify into new business segments

Reduce resource footprint and achieve net zero emission status

Employer of choice

SYNOPSIS: THE GROUP'S ALIGNMENT TO THE SDGS

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

One of the key methods through which we contribute to SDG 4 is by providing technical education and skills development opportunities to our employees. Led by the Group HR Division, the company has structured programmes for technical education, vocational training, upskilling/ reskilling, and leadership development of our Spensonians. Our companies also work to ensure children, youth and women from our communities have access to quality education and skills development. Further, the CINEC Campus provides tertiary education and vocational training including undergraduate and post graduate programmes recognised by the University Grants Commission of Sri Lanka.

Specific target within the SDG we are aiming to contribute to;

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ benchmark	Performance in 2022/23
> Learning/ skills development programmes - YoY growth	-	12%
> Number of L&D opportunities extended to external stakeholders (e. g. local youth, migrant workers, community members, suppliers etc.)	-	Over 1,400 students received school supplies or scholarships
KPIs specific for the education segment (CINEC) -		
> Total number of student registrations	>15,000	19,694
> Percentage of female student registrations in degree programmes	50%	52%
> Percentage of female students in the graduating classes of the year	40%	38%

Achieve gender equality and empower all women and girls

Among the first signatories in the world to the Women's Empowerment Principles, Aitken Spence makes concerted efforts to ensure an equitable, safe, and secure workplace that is conducive to the personal and professional growth of all Spensonians. Female representation in the Group is above the local female labour participation rate of 31%. However, we realise there is more to be done. With our commitment to ensure diversity, equity and inclusivity, the Group strives to ensure equal access to opportunities in recruitment, career progression and leadership. Aitken Spence strives to learn and share our experience: We participate in the Target Gender Equality Programme of the UN Global Compact (UNGC) and are members of the Working Group on Gender of the UNGC.

Specific target within the SDG we are aiming to contribute to;

5.1 End all forms of discrimination against all women and girls everywhere

5.5 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation

5B Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ benchmark	Performance in 2022/23
> % of employees educated on the company's policies on gender equality, discrimination, sexual harassment, and human rights at the workplace	100%	100%
> % of female representation in the workforce	50%	41%
> % of female representation in senior management	30%	17%
> % of female employees attending skills development programmes	50%	Target set to monitor from 2023/24

Ensure availability and sustainable management of water and sanitation for all

Water is one of the main resources utilised by all segments as varying levels. Relative to the nature and scale of our requirements to access water, the Group has ensured stringent controls are in place to prevent pollution and conserve water. Some of the mechanisms include educating key stakeholders such as our Spensonians on the need to save water while establishing systemic interventions such as treatment of 100% wastewater, continual efficiency improvements to reduce water consumption and harvesting rainwater to feed part of the company's water requirements.

Specific target within the SDG we are aiming to contribute to;

6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ benchmark	Performance in 2022/23
> % of effluents/ contaminated wastewater treated for safe disposal/ reuse	100%	100%
> Number of natural water bodies adversely impacted by the withdrawal of water	Zero	Zero
> % of water used that is sourced from harvested rainwater	10%	19%

SYNOPSIS: THE GROUP'S ALIGNMENT TO THE SDGS

Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all

Aitken Spence strives to ensure that all Spensonians have access to safe and secure workplaces that are conducive to personal and professional growth. Through systemic and strategic interventions, we aim to be more resource efficient and productive, while creating value for key stakeholders by enabling better employment opportunities, sustainable income generation, resilient communities and overall environmental and socioeconomic development.

Specific target within the SDG we are contributing to;

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ Benchmark	Performance in 2022/23
> GJ of energy used per unit revenue in Rs. Mn	<15	9
> m3 of water per unit revenue in Rs. Mn	<18.50	11.2
> Ratio of salaries for similar scale for men to women	1 : 1	1 : 1
> Non-compliances on labour standards	Zero	Zero
> Total number of injuries during the year	Zero	116
> Number of management systems maintained for OHS and labour standards (environmental and social management systems)	100% operations	82
> Number of certified management systems maintained for OHS and labour standards (environmental and social management systems)	-	35

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Aitken Spence recognises our responsibility to contribute towards developing sustainable and resilient infrastructure that can support economic growth while protecting the environment and social systems. We have taken our operations to Central, Sabaragamuwa and Southern Provinces of the country with our reach spanning across the entire country and across our border to 8 countries. Aitken Spence introduced LEED architecture to Sri Lanka and the Maldives and introduced waste to energy power generation to Sri Lanka. In all our efforts, at the forefront of our strategies is the opportunity to make meaningful contributions to local and global development priorities.

Specific target within the SDG we are contributing to;

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ Benchmark	Performance in 2022/23
> Investment in sustainability driven processes, resilient infrastructure or BCPs	-	Rs. 98 Mn
> Investments in renewable energy generation	-	Rs. 1.4 Bn
> Investments in property, plant, and equipment	-	Rs. 105 Bn
> Tonnes CO2e emission per unit revenue in Rs. Mn	2	0.11
> Proportion of energy consumed from non-renewable sources matched by renewable energy generated	100%	137%

Ensure sustainable consumption and production patterns

Promoting the sustainable management and efficient use of natural resources, reducing waste, and minimising the environmental impact of human activities are not only beneficial to the ecosystems we depend on, it is essential for business continuity and productivity. From the 7Rs practiced at our operations to the waste to energy power plant converting residual municipal solid waste to energy, our efforts to make meaningful contributions to the environmental and socioeconomic development priorities of the country are perfectly captured by this SDG. These efforts include consistent and continual interventions to improve education on sustainable consumption and production practices.

Specific target within the SDG we are contributing to;

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.5 By 2030, reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.b Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products

KPIs for the Group (i. e. applicable to all Sectors) aligned to indicators within the SDG targets	Target/ Benchmark	Performance in 2022/23
> Proportion of solid waste that is repurposed and/or safely disposed as regulated	100%	100%
> Number of new recruits educated on sustainability	100%	100%
> Number of publications communicated with the GSB/ Management Council/ CEOs carrying information and insights on sustainability	52 per annum	60
> Number of employee engagement initiatives launched for environmental awareness and sensitisation	-	Over 10 programmes

SYNOPSIS: THE GROUP'S ALIGNMENT TO THE SDGS

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt biodiversity loss

Our ethos and untiring effort are to operate our operations such that the environment does not need to be protected from our own activities. We have mapped our operations against protected areas and areas of high biodiversity value outside protected areas to proactively identify where we could have direct impacts on sensitive ecosystems. In addition to systemic interventions to control environmental impacts, we also take efforts to enrich natural ecosystems and biodiversity.

Specific target within the SDG we are contributing to;

15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

KPIs for the Group:	Target/ Benchmark	Performance in 2022/23
> Extent of forest cover/ green cover maintained	>8,080 ha	8,109 ha
> Number of species protected within forest cover maintained	> 400	394
> Number of natural ecosystems or waterbodies adversely affected by our operations	Zero	Zero

Navigation to find more information;

- Natural Capital Page 239 to 248
- Social & Relationship Capital Page 229 to 238
- Intellectual Capital Page 217 to 224
- Manufactured Capital Page 225 to 228
- Sector Reviews Page 120 to 192
- Connecting our Integrated Sustainability Policy and Strategy to the SDGs Page 387 to 393

Visit aitkenspence.com/sustainability or scan the QR code below to peruse more information.

A Triarchic Approach

Enhancing
Transparency | Accountability | Resilience

Governance and Risk Management

BOARD OF DIRECTORS

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

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

Dr. R.M. Fernando
Executive Director

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

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

Mr. N.J. de Silva Deva Aditya
Independent, Non-Executive Director

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

Mr. C.R. Jansz
Non-Independent, Non-Executive Director

Mr. M.A.N.S. Perera
Non-Independent, Non-Executive Director

BOARD OF DIRECTORS

Deshamanya D.H.S. Jayawardena

Chairman

Appointed in April 2000

Deshamanya D.H.S. Jayawardena, recognised as an outstanding citizen for the service to the motherland, was appointed to the Board of Aitken Spence PLC, as of 1st April 2000. Mr. Jayawardena has been the Chairman of the Company since 25th April 2003.

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

Mr. Jayawardena has been appointed to lead large public sector institutions and is a former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines (two stints).

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

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

Ms. D.S.T. Jayawardena

Executive Director

Appointed in December 2013

Ms. Stasshani Jayawardena marks several milestones for Aitken Spence PLC and Aitken Spence Hotel Holdings PLC as the youngest Board Member and the first female member on the Board. Ms. Jayawardena heads the Tourism sector of Aitken Spence PLC inclusive of hotels, destination management and overseas travel.

With a career spanning over 10 years at Aitken Spence, she wields a fresh perspective in management and leads strategic business units across the Group. She leads several key strategic teams as the Chairperson of Aitken Spence Hotel Managements (Pvt) Ltd., as a member on the Board of Directors of Aitken Spence PLC, Aitken Spence Hotel Holdings PLC, Stassen Group, Lanka Milk Foods (CWE) PLC, Aitken Spence Aviation (Pvt) Ltd, Western Power Company (Pvt) Ltd. She was appointed to the Board of Directors of Melstacorp PLC and Distilleries Company of Sri Lanka in September 2022.

A graduate of St. James' & Lucie Clayton College and Keele University in the United Kingdom, and Emeritus Institute of Management, Singapore - Ms. Jayawardena made waves from a young age. Ms. Jayawardena was the youngest intern to work under US Senator Hilary Rodham Clinton and the Former US President Bill Clinton in 2003; and was appointed as the Sri Lankan Ambassador for EY NextGen Club from 2017 to 2019.

Ms. Stasshani Jayawardena was appointed to the Executive Board of The Hotel Association of Sri Lanka (THASL) and represents THASL at the Ceylon Chamber of Commerce Committee since 2019. She is an Executive Committee Member at the International Chamber of Commerce in Sri Lanka since 2020 and a Steering Committee Member of the Ceylon Chamber of Commerce Tourism. She was appointed as Chairperson of the Employers' Federation of Ceylon (EFC) Hotels and Tourism Employers Group for the financial year 2020/21. Ms. Jayawardena is also a member of the PWC NextGen Advisory Board.

Ms. Jayawardena represents the Company as the Ambassador from Aitken Spence PLC at the Target Gender Equality initiative of the UN Global Compact since 2020. She is also a member of the Austrian Business Circle in Sri Lanka.

In recognition of her work and commitment to inspire, she was recognised at Top 50 Professional & Career Women Awards in Sri Lanka with a Gold award in the Hotel & Hospitality Sector in 2017, and in 2020 by Sri Lankan business magazine, Echelon, listing her among the most innovative and influential young leaders who have succeeded in business and shaping the future of Sri Lanka.

Ms. Jayawardena became the award recipient of the Expatriate Contribution Award – Gold category by Women in Management Maldives. The Professional and Career Women Awards Maldives 2022 presented this award to Ms. Jayawardena for her exceptional contributions and achievements in the field of Hotel & Hospitality.

Her passion remains in designing the next generation of business with the core values of integrity, sustainability, empowerment, and equal opportunities. She believes driving her business decisions by using data and technology.

Dr. M.P. Dissanayake

Deputy Chairman and Managing Director

Appointed in March 2019

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

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

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

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

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

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

He is also the Chairman of Elpitiya Plantations PLC, Aitken Spence Plantation Managements PLC, Co-Chairman/Professor CINEC Campus, Hon. Consul of Fiji Islands and serves as a Professor in Maritime Studies (visiting) at Shanghai Maritime University, Dalian Maritime University.

Dr. R.M. Fernando

Executive Director

Appointed in April 2005

Dr. Rohan Fernando joined Aitken Spence Plantation Management in May 1994 and has been the Managing Director of Aitken Spence Plantation Managements PLC and Elpitiya Plantations PLC since August 1997. He has extensive experience in the plantation industry; both in the public and private sectors; corporate management, corporate strategy and has played a key role in the plantation privatisation programme. He was the Chairman of United Nations Global Compact Network, Sri Lanka, a former President of the Chartered Institute of Marketing Sri Lanka Chapter, and a past Chairman of the Planters Association of Ceylon.

He is currently the President of the Palm Oil Industry Association which comprises growers, processors and refiners in the palm oil industry and also serves on the committee of the Asian Palm Oil Alliance (APOA).

In 2023, Dr. Fernando was appointed under the Co-Chairmanship of Advisor to the President and Chairman of National Science Foundation as a Member of the Expert Cluster on 'Perennial Crops' to achieve food security and nutrition in the country.

Dr. Fernando was appointed to the Main Board of Aitken Spence PLC on the 1st of April 2005 and is currently Head of the Plantations segment, Sustainability, Business Development and Branding.

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

Mr. J.M.S. Brito

Non-Independent, Non-Executive Director

Appointed in April 2000

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

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

Mr. C.H. Gomez

Independent, Non-Executive Director

Appointed in May 2002

Mr. Charles Gomez is a former Banker with over 40 years of experience in the finance industry. He has worked for major financial institutions including Barclays Bank PLC, Lloyds TSB Bank PLC, and SG Hambros. He brings to the Company a wealth of experience in regard to international financial markets, financial services regulations, compliance and controls and it was through his intervention that major investors were brought into Aitken Spence PLC, and to other business sectors in Sri Lanka. Mr. Gomez is a Director as well as a part owner of regulated financial services companies based in Gibraltar. He also serves on the Boards of foreign companies which have investments worldwide.

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

Mr. N.J. de Silva Deva Aditya

Independent, Non-Executive Director

Appointed in September 2006

The Honourable N. J. de Silva Deva Aditya (Nirj Deva) DL FRSA, Presidential Envoy of Sri Lanka to the EU and the Commonwealth of 56 Nations and Senior Advisor to the President of Sri Lanka, former Member of Parliament in the British House of Commons and Member of the European Parliament, joined the Board of Directors of Aitken Spence in September 2006.

He was the first Post War Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office after which he was elected as the first Asian born British Member of the European Parliament representing over 8 million, British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years.

BOARD OF DIRECTORS

He was the Vice President of the International Development Committee for 15 years, overseeing the Euro 25 billion European Budget. He was the Chairman of the EU Korean Peninsula Delegation working towards a lasting peace with North Korea, Chairman of the EU China, EU Bangladesh, EU Indonesia, EU Myanmar and EU India Friendship Groups in the EU Parliament and was nominated by his political group ECR to be the president of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka. He is the Publisher of the http://www.commonwealthunion.com the global media platform, the first Commonwealth wide news and TV media reaching out to 2.4 billion people and seen regularly by 12 million. He was appointed Presidential Envoy and Senior Advisor in August 2022.

Mr. R.N. Asirwatham

Independent, Non-Executive Director

Appointed in September 2009

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

He was the Senior Partner and Country Head of KPMG from 2001 to 2008. Further, he was the Chairman of the Steering Committee for the Sustainable Tourism Project funded by the World Bank for the Ministry of Tourism and was also a member of the Presidential Commission on Taxation, appointed by His Excellency the President of Sri Lanka. He is a member of the Board of Trustees of the S.W.R.D. Bandaranaike National Memorial Foundation and the Lakshman Kadirgamar Institute of Strategic Studies.

Mr. Asirwatham is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and the Chairman of the Audit Committee. He also serves on the Boards of Dilmah Ceylon Tea Company PLC, Royal Ceramics Lanka PLC, Browns Beach Hotels PLC, Vallibel One PLC, Ceylon Grain Elevators PLC and several other companies.

Mr. C.R. Jansz

Non-Independent Non-Executive Director

Appointed in February 2023

Mr. Jansz is a Director of Stassen Group, Melstacorp Group, Lanka Milk Foods Group and Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd. and Melsta Hospitals Colombo North (Pvt) Ltd.

He has been the Chairman of DFCC Bank and the Sri Lanka Shippers Council.

Mr. Jansz holds a Diploma in Banking and Finance from London Metropolitan University, UK. He is a Chevening Scholar and an UN-ESCAP Certified Training Manager on Maritime Transport for Shippers. Mr. Jansz specialises in the movement and finance of international trade.

Mr. M.A.N.S. Perera

Non-Independent, Non-Executive Director

Appointed in January 2023

Mr. Perera is an experienced professional with a diverse background in finance, investment, and strategic leadership. He joined the Board of Aitken Spence PLC in January 2023 and holds the position of Managing Director at Melstacorp PLC. He also serves as a Board member for Aitken Spence Hotel Holdings PLC, Distilleries Company of Sri Lanka PLC and Browns Beach Hotels PLC.

Mr. Perera holds an MBA from the University of Cambridge and is a Fellow of the Institute of Chartered Accountants, Sri Lanka. He is also a Certified Management Accountant and has other qualifications and exposure to investment and financial strategy, risk management and international tax planning.

Having started his UK career with PWC-London he spent close to two decades in London's financial and technology hub. During this time, he led and contributed to strategic projects with global top tier banks such as JP Morgan, ING, Bank of Montreal, National Australia Bank, and BNP Paribas. Notably, he played a crucial role in establishing two international investment banks and a FinTech banking institution in London. During his tenure, he assumed various leadership positions including Finance Director, Chief Financial Officer, Head of Strategy, and part-time Chief Risk Officer.

Mr. Perera possesses extensive experience in financial and investment strategy, specialising in restructuring, turnaround, mergers and acquisitions, and leading strategic and economic research initiatives. His professional endeavours have taken him across Europe, Asia, the Americas, the Middle East, and Southern Africa, accumulating over 25 years of international expertise.

GROUP SUPERVISORY BOARD

Dr. M.P. Dissanayake

Ms. D.S.T. Jayawardena

Dr. R.M. Fernando

Ms. N. Sivapragasam

Dr. M.P. Dissanayake
See Board of Directors Profile

Ms. D.S.T. Jayawardena
See Board of Directors Profile

Dr. R.M. Fernando
See Board of Directors Profile

Ms. N. Sivapragasam
Ms. Nilanthi Sivapragasam joined the Aitken Spence Group as an Accountant after completing her articles at Ernst & Young, Colombo.

She now holds the position of Chief Financial Officer of the Group. She is also the Managing Director of Aitken Spence Corporate Finance (Private) Limited, the Joint Managing Director of CINEC Campus (Private) Limited, and a Director of several subsidiaries and joint venture companies in the Group both local and overseas.

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

She is currently a Board Member of the UNGC Network Sri Lanka and serves on the Financial Reporting Standards Implementation and Interpretation Committee of CA Sri Lanka. She is also a Member of the Taxation Steering Committee and the Accounting Standards and Regulatory Reporting Steering Committee of the Ceylon Chamber of Commerce. She is a founder member of the Women Corporate Directors Foundation Sri Lanka Chapter.

She was formerly on the Board of CIMA Sri Lanka Division, the Statutory Accounting & Auditing Standards Committees of CA Sri Lanka and a Council Member of the Sri Lanka Institute of Directors. She also served as a Board Member of the Sri Lanka Accounting and Auditing Standards Monitoring Board until 2019.

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

MANAGEMENT COUNCIL


Dr. M.P. Dissanayake*


Ms. D.S.T. Jayawardena*


Dr. R.M. Fernando*


Ms. N. Sivapragasam*


Mr. C.M.S. Jayawickrama


Mr. L. Wickremarachchi


Mr. N.A.N. Jayasundera


Mr. I.S. Cuttilan

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

Mr. A.J. Gunawardena

Mr. J.E. Brohier

Mr. V.P. Kudaliyanage

Mr. D.R.C. Hindurangala

Mr. B. Bulumulla

Mr. L.N.D. Silva

Mr. S.N. Muttiah

Mr. K.L.L. Perera

MANAGEMENT COUNCIL

Dr. M.P. Dissanayake
See Board of Directors Profile

Ms. D.S.T. Jayawardena
See Board of Directors Profile

Dr. R.M. Fernando
See Board of Directors Profile

Ms. N. Sivapragasam
See Group Supervisory Board Profile

Mr. C.M.S. Jayawickrama

Mr. Susith Jayawickrama has had a career spanning over three decades with Aitken Spence and is the Joint Managing Director of Aitken Spence Hotel Managements (Private) Limited, which manages all hotels of the Group.

Mr. Jayawickrama serves on the Aitken Spence Group Management Council and on the Boards of most hotel companies in the Group including that of Aitken Spence Hotel Holdings PLC. He is a Fellow Member of the Chartered Institute of Management Accountants UK. He has more than three decades of experience in senior management positions in the Group's hotel sector and the tourism industry in Sri Lanka and overseas.

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

Mr. L. Wickremarachchi

Mr. Leel Wickremarachchi joined Aitken Spence in February 2013 as the Deputy Chairman/Managing Director of its power segment. He also functions as CEO/Managing Director of Western Power Company (Pvt) Ltd., a subsidiary of Aitken Spence PLC, which owns and operates the country's first waste to energy power plant with an installed capacity of 10 MW.

Mr. Wickremarachchi has held senior positions in both public and private sector organisations. Immediately before joining Aitken Spence PLC., Mr. Wickremarachchi worked as a consultant to the Government of Liberia, in West Africa, under a USAID funded project, in the renewable energy sector. He was Director General of the Public Enterprises Reform Commission (PERC) from 2004 to 2006. He also did a consultancy assignment in 2004 for the Ministry of Privatisation of the Government of Pakistan, funded by Asian Development Bank, in establishing a Public-Private Infrastructure Financing Facility for Pakistan. He had also worked at USAID/Sri Lanka, from 1992 to 1998, managing its project on establishing a market for private sector infrastructure in Sri Lanka, which resulted in the Government of Sri Lanka approving the private sector to invest in thermal power projects, as Independent Power Producers (IPPs). Later he functioned as CEO of Private Sector Infrastructure Development Company (PSIDC), subordinated debt financing company for private sector financed infrastructure, owned by the Government of Sri Lanka, and funded by the World Bank and KfW of Germany.

Mr. Wickremarachchi holds an MSc in Engineering from the People's Friendship University of Moscow, Russia and has obtained his MBA from the Post Graduate Institute of Management of the University of Sri Jayewardenepura. He has attended many Executive Development Programmes including the programmes conducted by the JFK School of Government of Harvard University, USA, on "Infrastructure in a Market Economy", and the National University of Singapore on "General Management".

Mr. N.A.N. Jayasundera

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

With over 35 years of experience in the Tourism Sector he possesses a wide knowledge of the travel industry. Mr. Jayasundera has played an important role in developing the Tourism Sector by venturing into many new markets, developing new products and seeking new opportunities that have come up with new global trends. His best accolade in the recent years is leading his team to grow the Aitken Spence Travels business by 100% over the last six years.

Mr. Jayasundera is currently the Vice President of the Sri Lanka Association of Inbound Tour Operators (SLAITO) and he has held the position of Secretary in the past. He was a member of the Sri Lanka Tourism Advisory Council, a Board Member of the Sri Lanka Conventions Bureau and currently serves as a Board Member of the Sri Lanka Tourism Promotion Bureau.

Mr. I.S. Cuttilan

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

He currently overlooks the Maritime, Freight and Insurance segments of the Group.

He was involved in setting up the port management activities in Africa and Fiji and serves as a Director of Fiji Ports Terminal Limited and Fiji Ports Corporation Limited. He is a Director of the CINEC Campus (Private) Limited.

Mr. Cuttilan served as Chairman of the Ceylon Association of Shipping Agents (CASA) between 2019 to 2021. Prior to this held the positions of Treasurer and Vice Chairman of CASA.

He served as a member of the Advisory Committee on Logistics of the Sri Lanka Export Development Board between 2015 to 2021. He serves as a member of the Maritime & Logistics Committee of the Ceylon Chamber of Commerce, European Chamber of Commerce of Sri Lanka and the German Chamber (AHK). He is a Past President of the Sri Lanka Malaysia Business Council of the Ceylon Chamber of Commerce and a Past President of the Sri Lanka Indonesia Friendship Association (SLIFA). He currently serves as a Vice Patron of the Mercantile Hockey Association.

He holds a Diploma in Marketing from CIM (UK), Diploma in Business Management (SLBDC), and is a Chartered Member of CILT (UK). He is also a member of the Alumni of the National University of Singapore and the Open University of Sri Lanka.

Mr. A.J. Gunawardena

Mr. Janaka Gunawardena joined the Aitken Spence Group in 2016, bringing with him over 33 years of diverse management experience across multiple industry verticals including integrated logistics, supply chain management, FMCG & real estate.

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

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

Mr. J.E. Brohier

Mr. Jerome Brohier heads the Agency Representation and Overseas Operations segment within the Maritime & Freight Logistics Sector. He joined Aitken Spence Cargo in the year 2000 as the Manager of the Express division. He has over 35 years of experience in the express/logistics industry, majority of them at Aitken Spence Cargo. He was promoted as a Director of the Express division in 2006 and also functioned as the Country Manager of TNT International Express in Sri Lanka and the Maldives from 2008. In 2011 he took over as the Vice President of the freight and courier segment. In 2022, he was promoted to Managing Director – Agency Representation and Overseas Operations with responsibility for freight, express and cargo aviation agencies in Sri Lanka, Bangladesh, Myanmar, Maldives, and Cambodia.

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

Mr. V.P. Kudaliyanage

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

Mr. Kudaliyanage's professionalism and systematic approach continues to ensure excellent service delivery for project completion. His outstanding services has been recognised by SIA, our longest GSA of 50 years and he was awarded, 2010 – CEO Award and many regional awards.

Joining Aitken Spence, he counts 37 years of service, marked by exemplary loyalty, dedication and reliability. His flexibility and adaptability in managing diverse services and delivering results while professionalism and systematic approach continues to ensure excellent service delivery. With the current position, a rapid overall growth was shown with increased productivity at Aitken Spence Aviation.

Mr. D.R.C. Hindurangala

Mr. Chaminda Hindurangala has been with Aitken Spence Group for over 21 years, joining initially in 1996 and then re-joining in 2018. Having successfully played significant roles within the power generation segment and the maritime segment, where he was head of operations of the port management business in Africa.

He took over the leadership of the elevators segment in 2018. Aitken Spence Elevators (Private) Limited is a joint venture with OTIS Company (Singapore), and the agents for OTIS in Sri Lanka and Maldives. OTIS is the leading elevator brand in the world.

In 2022 he was also given the leadership of MMBL Money Transfer (Pvt) Ltd, a joint venture with MMBL Pathfinder Group. MMBL Money Transfer (Pvt) Ltd is the Largest Representative for Western Union, RIA & MoneyGram in Sri Lanka

He is well experienced in business development and business process re-engineering to improve processes and increase efficiency. He is also a Director of Aitken Spence Ports International Limited, Aitken Spence International (South Africa) and CINEC Campus.

MANAGEMENT COUNCIL

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

Mr. B. Bulumulla

Mr. Bhathiya Bulumulla joined Elpitiya Plantations PLC in February 1999 and was appointed as the Chief Executive Officer of the Company in 2013. He was appointed as the Director of Aitken Spence Plantation Managements PLC and of Elpitiya Plantations PLC during the years 2017 and 2018. Mr. Bulumulla was appointed as Joint Managing Director/Chief Executive Officer of Elpitiya Plantations PLC in April 2023.

He was involved in the expansion of palm oil cultivation and other diversified projects of the company such as solar power generation, berry cultivation and setting up of the ESCAPE adventure theme park jointly with a Malaysian company. Elpitiya Plantations PLC first retail outlet "Harrow house" and the digitisation journey to run Plantations paperless are also his initiatives.

Mr. Bulumulla is the immediate past Chairman of the Planters Association of Ceylon and serves on the Board of Plantation Human Development Trust

He is also a member of the Board of Study of the Wayamba University of Sri Lanka and National Institute of Plantation Management.

Mr. Bulumulla holds a Diploma in Plantation Management from the National Institute of Plantation Management (NIPM), a B.Sc. (Hons) Degree in Plantation Management, from the Wayamba University of Sri Lanka and an M.Sc. in Environment Science from the Open University of Colombo.

Mr. Bulumulla is also a Fellow Member of the National Institute of Plantation Management (NIPM).

Mr. L.N.D. Silva

Mr. Deshantha Silva joined the Aitken Spence Group on 1st July 2021, and he counts over 25 years of diverse management experience across multiple industries in manufacturing and service sectors. He serves Aitken Spence Group Management Council by heading the Printing & Packaging segment as Director/ Chief Executive Officer. His manufacturing industry exposure includes apparel, furniture, and printing & packaging industries.

He formally held Chief Executive Officer positions at Finco Trading (Private) Limited, The Lanka Hospitals Corporation PLC and at ACME Printing & Packaging PLC. He also held the position of Director / Chief Operating Officer at Alpha Industries (Private) whilst serving Finco Group of Companies for 15 years.

Mr. Silva is a qualified engineer graduated from University of Moratuwa and holds a Master of Business Administration with an Overall Merit Pass from University of Colombo. He completed his qualifications in accountancy in 1995 and got his membership from CIMA in 2001. With the completion of the Diploma in Marketing at CIM in 1999, he got his membership at CIM in 2002. Currently, Mr. Silva is an Associate Member of Chartered Institute of Management Accountants (CIMA) in UK, an Associate Member of Chartered Institute of Marketing (CIM) in UK and also an Associate of Institution of Engineering & Technology (IET) in UK. He is also a Fellow Member of Institute of Certified Management Accountants (CMA) in Sri Lanka, Institute of Chartered Professional Managers in Sri Lanka (CPM), Institute of Public Accountants (IPA) in Australia and a Chartered Global Management Accountant.

He was a director of Association of Laminated Flexible Packaging Manufacturers (ALFPM) for many years and currently a member of the Governing Body of Sri Lanka Institute of Packaging (SLIP) and an EXCO member of Sri Lanka Association of Printers (SLAP).

Mr. S.N. Muttiah

Mr. Suresh Muttiah prior to joining Aitken Spence PLC was attached to John Keells Group for a period of 10 years where he held positions of General Manager – Human Resources at Union Assurance PLC and Vice President Human Resources of the Group's Retail Sector where he played a key leadership role in implementing many business transformation HR strategies.

Suresh also worked at Dialog Axiata PLC for a period 5 years and Carsons Cumberbatch Group for 7 years holding key HR leadership positions. Overall, Suresh counts 23 years in the field of Human Resources of which 19 years in leadership positions.

In recognition of his significant contributions in the field of HR, Suresh was recognised with the 'Outstanding HR Leadership of The Year Award' in 2016, 'Most Influential HR Leaders' in 2019 and '501 Fabulous Global HR Leaders of the World' by World HRD Congress. Suresh was also recognised as the prestigious Alumnus of Year award by University of Southern Queensland – Australia in 2017. As the Chairperson of the HR sub-committee of Insurance Association of Sri Lanka (IASL) and the President of the University of Southern Queensland Alumni – Sri Lankan Chapter, Suresh was instrumental in executing many pioneering initiatives.

Suresh holds an MBA and Post Graduate Diploma in Business Administration from the University of Southern Queensland–Australia, Chartered Qualification in HRM (CQHRM) from Institute of Personnel Management SL. Suresh is a member of CIPD (UK), IPMA HR (USA), AHRP (SL) and MCIPM (SL).

Mr. K.L.L. Perera

Mr. Lushan Perera joined the apparel industry in 1999 at LM Apparels (Brandix Casual Wear) in Sri Lanka as a Merchandiser for 2 years before moving to Next Sourcing Ltd, Sri Lanka (Part of Next PLC UK), where he worked as a

Merchandiser Controller, gaining 5 years of experience.

Between 2005 -2008, he was attached to Melbourne Washing Plant Pvt Ltd., of EAM Maliban Group, Sri Lanka as the Business Development and Customer Relationship Manager liaising with many global retailers and local manufacturing groups.

Subsequently, in 2008, Mr. Perera relocated to Bangladesh and assumed the position of Head Merchandiser at Regency Garments Ltd. His exceptional performance led to a promotion in 2014, when he was appointed as the General Manager Merchandising/Country Manager at FR Apparel Trading, a Dubai-based company that is a member of the Hirdaramani Group. Throughout his nine-year tenure with the company, he achieved remarkable revenue growth.

In 2016, Lushan assumed the role of Chief Executive Officer/Director at Progress Apparels Bangladesh Ltd, where he was a founding member. During his tenure, he successfully led the company to achieve an accumulative sales turnover exceeding USD 60 million within a span of 3 years. He continued to oversee all operations in this capacity until 2021.

In May 2022, Lushan assumed the position of Head of the Aitken Spence Apparel segment, to successfully navigate the organisation through the challenging economic downturn that Sri Lanka was experiencing at that time.

He is a member of the Chartered Institute of Marketing UK and holds certifications as a Management Accountant and Global Business Analyst from ICMA Australia. Additionally, he pursued business studies at the National University of Singapore and obtained a Master's degree in Business Administration from Royal Roads University in Canada. Certificate, case studies of world’s leading companies from Harvard Business School 2019 and obtained various Industrial studies & certifications from Textile Universities in Sri Lanka.

CORPORATE GOVERNANCE

Chairman's Statement on Governance (GRI 2-22)

The past year highlighted the need for institutions to align short, medium and long-term strategies to manage their impacts on the economy, environment and people. The responsibility to consider and balance the needs and concerns of multiple stakeholders has never been more urgent than now. Aitken Spence has prided itself on aligning our vision and strategies with societal needs, which has supported the sustainable growth of the Group into multiple business sectors. The purpose defined and adopted captures our understanding of this, as we could not have grown for 150+ years without ensuring shared prosperity for all. Sound corporate governance is key to ensuring that our value creation processes monitor our impacts with the same rigour we monitor our performance, enabling value creation for all.

The downturn in the economy prompted us to re-evaluate how we create value for various stakeholders, including employees, customers, and business partners, while strengthening our own foundations. We have introduced Anti-Bribery & Anti-Corruption and Whistleblowing Policies to fortify the Group against potential violations. Continuing our initiative on diversity and inclusion we continue to increase female participation within the Group and create opportunities for their advancement to senior positions. Given the increasing demand for dual incomes among families, along with the country's demographic challenges and the increased migration of professionals and skilled workers due to economic hardships, this intervention comes at a crucial time.

The Board is also strengthening its understanding of impacts through structured stakeholder engagement mechanisms. Accordingly, the Group Human Resources Division conducted a 'SpenceWay Service Excellence' survey, reaching out to customers of the different business segments to understand their concerns. This was done in addition to the 'Voice of Spensonians' employee survey, which was conducted across all executives and non-executives of the Company. These provide insights into the areas that need improvement as we consolidate our leadership positions across the business segments. We will continue to expand the scope of stakeholder engagement over the years to get objective views on where we need to strengthen our operations and to support more efficient resource allocation.

Integrity in financial reporting, internal control, and compliance are at the core of governance and continue to receive significant attention from the Board and the Audit Committee, thereby facilitating the effective discharge of the Board's responsibilities in this regard.

Ultimately, the effective functioning of all governance mechanisms depends on the people and the organisational culture. The Board and senior leadership of the Group are acutely aware of the importance of leading by example and safeguarding our legacy of a culture rooted in values, ensuring its growth and transmission. The Code of Ethics and Professional Conduct plays a critical role in articulating the expectations of employees. It is our firm belief that our culture is the most important factor in reinforcing and shaping the evolution of our governance processes as we progress into a new era that will undoubtedly add more dimensions to the subject.

As we navigate another year of challenging times, our steadfast dedication to incorporating sustainability into our governance structures and mechanisms brings enhanced clarity to our objectives. We will persist in expanding our presence across various regions, creating value for our stakeholders, all the while upholding environmental and social governance. Our history stands as evidence of our unwavering commitment to corporate governance, and we remain resolute in upholding high standards in this regard.

Compliance Statement

On behalf of the Board of Aitken Spence PLC, We declare that the principles of good corporate governance are applied consistently across the Group and that the Corporate Governance Report provides a fair account of Corporate Governance practices within the Group. We are also pleased to report that the Group complies with the relevant sections of the Listing Rules of the Colombo Stock Exchange (CSE) pertaining to Corporate Governance and the provisions of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

06th June 2023
Colombo

HIGHLIGHTS 2022/2023

Shareholder Meetings

» Annual General Meeting of the Shareholders on 30th June 2022.

» Extraordinary General Meeting of the Shareholders on 14th February 2023 for the appointment of Mr. C.R. Jansz to the Board of Aitken Spence PLC.

Payment of Rs. 1.6 Billion as an Interim Dividend for the year ended 31st March 2022

» Interim dividend payment of Rs. 4.00 per share for the year ended 31st March 2022.

Resignations

» Mr. G.C. Wickremasinghe.

» Mr. A.L. Gooneratne as an Alternate Director to Mr. N.J. de S. Deva Aditya.

Appointments

» Mr. C.R. Jansz as a Non-Independent Non-Executive Director.

» Mr. M.A.N.S. Perera as a Non-Independent Non-Executive Director (w.e.f. 25th April 2023).

» Mr. M.A.N.S. Perera as an Alternate Director to Mr. N.J. de S. Deva Aditya.

Acquisitions

» Acquisition of 100% stake in Sagasolar Power (Private) Limited, a solar power project at a consideration of Rs.1.4 Billion.

Strengthening Policies and Processes

» Revalidation of Anti-Bribery and Anti-Corruption Policy.

» Re-emphasis on Group Whistleblowing Policy.

» Rolled out a focused Diversity, Equity & Inclusion agenda themed ‘Freedom to be me’ with an emphasis on *#SpenceWomenAtWok* (2022-2024).

» Enhanced maternity leave to 100 days and introduced a 5-day paid paternity leave, fostering a supportive and inclusive work environment for Spensonians.

» 'SpenceWay Service Excellence' surveys conducted by the Group Human Resources for 14 segments.

» 'Voice of Spensonians' employee opinion survey conducted by Group Human Resources.

» Inauguration of 'SpenceInnova' to promote a culture of innovation through increased employee engagement supported by subsidiaries in order to enhance the efficiency, effectiveness, and overall productivity of the Aitken Spence Group.

» Roll out of new risk management and reporting system.

CORPORATE GOVERNANCE

Structures that Enable Value Creation

The importance of leadership and sound corporate governance has never been more important than at present as we navigate a path to socioeconomic recovery. Concern for stakeholders and social license is critical to creating and preserving value and we observed the perils of not balancing these with the available resources at a national level. A heritage of 153 years has coded these conservative principles and values into the DNA of the Group which sit comfortably alongside advancements in technology and evolution of social norms, guiding decision making at all levels. These values and principles are reinforced by a fit for purpose governance structure, policy framework and processes that facilitate balancing of stakeholder interests.

115
Companies

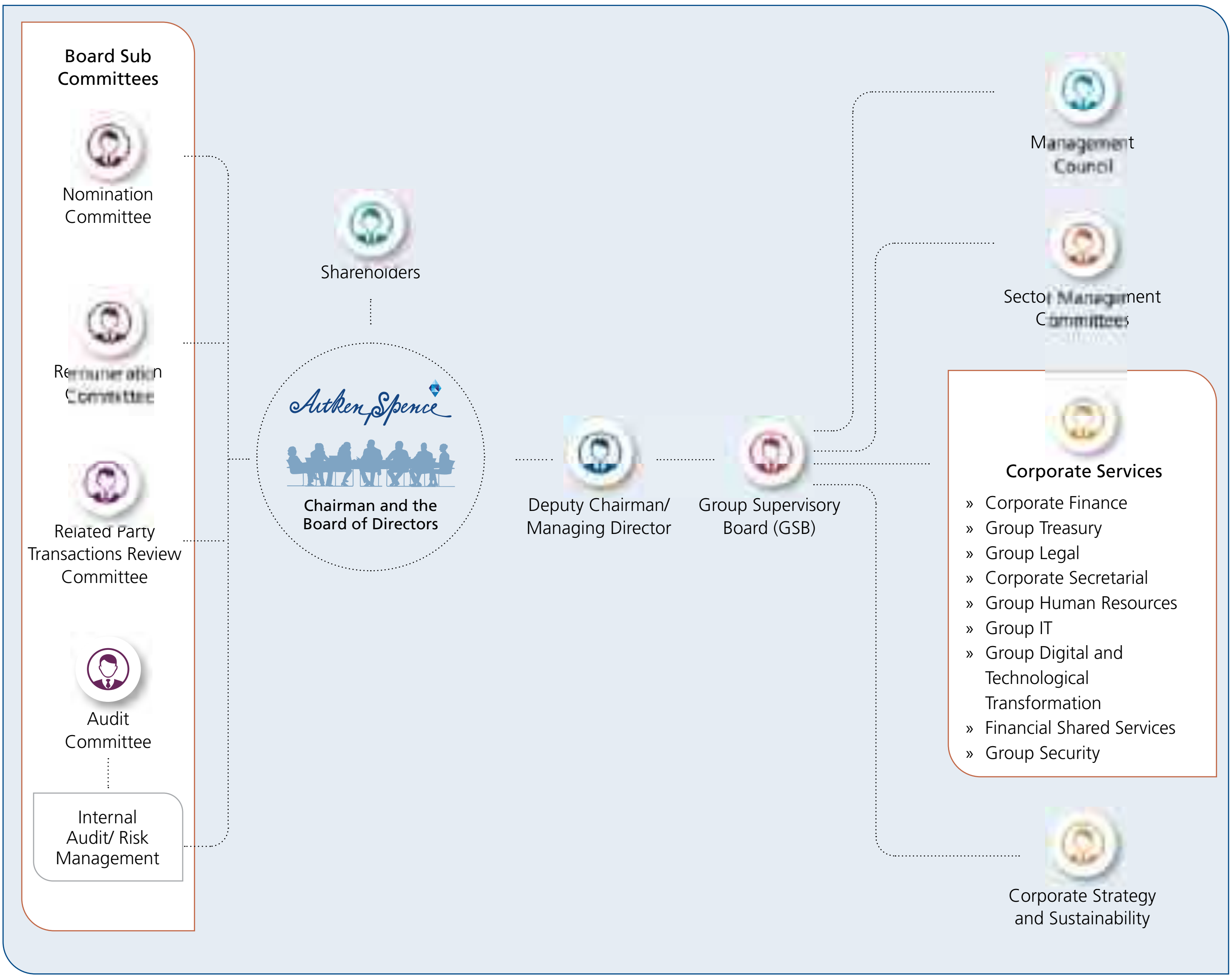
5
Public Listed Companies

23
Overseas Companies

4
Sectors

Governance Structure (GRI 2-9 a,b)

The Group has a tried and tested organisation structure that has evolved over the decades, changing in line with societal expectations and best practice to ensure that the Group can continue to create value for its stakeholders. The Governance structure of the Group is set out below.



Segregation of Key Roles (GRI 2-11)

Roles of Chairman and Deputy Chairman/Managing Director are segregated, strengthening Board balance ensuring principles of good corporate governance. Roles and responsibilities of the C-Suite are clearly defined by mandates and job descriptions and by which means authority is delegated and accountability is established.

Role of Chairman

- Leading the Board, preserving good corporate governance and ensuring that the Board works effectively.
- Setting the Board's annual work plan and the agendas.
- Ensuring that the Board is in control of the affairs of the Company.
- Ensuring effective participation of all Board members during Board meetings and ensuring efficient conduct of Board Meetings.
- Building and maintaining stakeholder trust and confidence.

Role of the Deputy Chairman and Managing Director

- Implementing strategy and driving performance.
- Ensuring succession planning of the corporate management team and assessing their performance.
- Developing the Company/Group strategy for consideration and approval by the Board in line with guidance provided by the Board.
- Developing and recommending to the Board, budgets supporting the Company/Group long-term strategy.
- Setting the Board agenda in consultation with the Chairman and assisted by the Company Secretaries.
- Monitoring and reporting to the Board on the performance of the Company and its compliance with applicable laws and Corporate Governance principles.
- Establishing an organisational structure for the Company which is appropriate for the execution of strategy.
- Ensuring a culture that is based on the Company's values.
- Ensuring that the Company operates within the approved risk appetite.

Role of the Company Secretaries

- Ensuring the conduct of Board and General Meetings are in accordance with the Articles of Association and relevant legislation.
- Maintaining statutory registers and the minutes of Board Meetings, General Meetings and of the Sub-Committee Meetings.
- Prompt communication to regulators and shareholders.
- Filing statutory returns and facilitating access to legal advice in consultation with the Board, where necessary.

All Directors have access to the advice and services of the Secretaries as necessary. The Secretaries maintain minutes of Board meetings, which are open for inspection by any Director. Appointment and removal of the Company Secretaries is a matter for the Board as a whole.

Key Responsibilities of the Board

(GRI 2-12)

i. Providing direction and guidance to the Group in formulating and implementing the corporate strategies for value creation in short, medium and long terms and monitoring the implemented strategies.

ii. Making decisions on Board appointments and evaluating Board performance including the performance of the Executive Chairman and the Deputy Chairman and ensuring succession planning and the continued ability of the Company to operate without any disruption.

iii. Overseeing Company's financial performance and adopting appropriate accounting policies.

iv. Ensuring that the Company adheres to the best practices in corporate governance including ethical business practices and compliance with rules, regulations, and internal policies of the Group including concerns on ethics, bribery and corruption.

v. Establishing and overseeing systems of internal control and risk management to ensure that the Company has effective risk management systems in place to identify, assess and mitigate risks that could impact the Company's operations, finance or reputation.

vi. Ensuring business is conducted with due consideration to Environmental, Social and Governance (ESG) factors.

vii. Building and improving stakeholder relationships.

viii. Reviewing and approving major acquisitions, disposals and capital expenditure.

ix. Safeguarding assets and ensuring legitimate use.

Composition (GRI 2-9 c)

The composition of the Board and its Sub Committees is critical as they collectively set the tone at the top for the entire Group. Profiles of the Board members are set out on pages 56 to 60 and their roles are set out below.

Table 01: Composition of the Board

Board of Directors	DoA (Month/Year)	Tenure on the Board	Membership Status		Board Sub-Committee Membership			
					AC	RPTRC	RC	NC
Deshamanya D.H.S. Jayawardena Executive Chairman	4/2000	>20	ED		-	-	BI	M
Ms. D.S.T. Jayawardena Director	12/2013	<15	ED		BI	BI	BI	-
Dr. M.P. Dissanayake Deputy Chairman and Managing Director	3/2019	<5	ED		BI	BI	BI	BI
Dr. R.M. Fernando Director	4/2005	<20	ED		-	-	-	-
Mr. J.M.S. Brito Director	4/2000	>20	NED	NID	M	M	M	M
Mr. R.N. Asirwatham Director	9/2009	<15	NED	ID	C	C	C	C
Mr. C.H. Gomez Director	5/2002	>20	NED	ID	M	M	M	-
Mr. N.J. de S. Deva Aditya Director	9/2006	<20	NED	ID	M	M	-	-
Mr. C.R. Jansz Director	2/2023	<5 Appointed 14.02.2023	NED	NID	-	-	-	-
Mr. M.A.N.S. Perera Director	4/2023	<5 Appointed 25.04.2023	NED	NID	-	-	-	-
Mr. M.A.N.S. Perera* Alternate Director to Mr. N.J.de S. Deva Aditya	1/2023	*Appointed 02.01.2023	Alternate Director		BI	BI	-	-
Mr. A.L. Gooneratne* Alternate Director to Mr. N.J.de S. Deva Aditya	5/2012	*Resigned 01.07.2022	Alternate Director		BI	BI	-	-
Mr. G.C. Wickremasinghe* Director	4/1972	>20 *Resigned 30.11.2022	NED	ID	M	M	C (Former)	C (Former)

DoA - Date of Appointment **ED** - Executive Director **NED** - Non-Executive Director **ID** - Independent Director **NID** - Non-Independent Director

AC - Audit Committee **RPTRC** - Related Party Transactions Review Committee **RC** - Remuneration Committee **NC** - Nominations Committee

C - Chairman M - Member BI - By Invitation

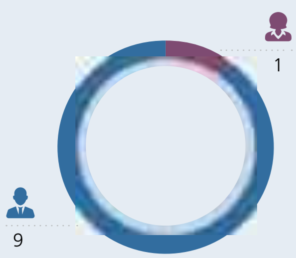
Composition of the Board at the Time of Authorising this Annual Report

Executive and Non-Executive Directors

4 Executive Directors

6 Non-Executive Directors

Board Gender Composition

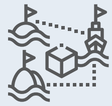


Tenure on the Board

Board of Directors' Industry Background and Experiences

Business Leadership

10



Maritime and Logistics

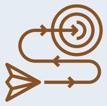
2

Plantations

1

Accounting, Finance and banking

6



Marketing

3

Law

1

Economics / Science

1

Independence of the Directors

There were three Independent Non-Executive Directors at the close of the financial year 2022/2023. Independence of Directors is determined by the Board, based on annual declarations submitted by the Non-Executive Directors, in compliance with the Listing Rules of the Colombo Stock Exchange (CSE) and also in line with schedule K of the Code of Best Practice on Corporate Governance.

Mr. R.N. Asirwatham

The Board is of the view that the period of service of Mr. R.N. Asirwatham as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Asirwatham is 'independent' of Aitken Spence PLC as per the Listing Rules.

Mr. C.H. Gomez

The Board is of the view that the period of service of Mr. C.H. Gomez as a Board Member, which exceeds nine years does not compromise his independence and objectivity in discharging his functions as a Director. Therefore, the Board determined that Mr. Gomez is 'independent' of Aitken Spence PLC as per the Listing Rules.

Mr. N.J. de S. Deva Aditya

The period of service of Mr. N.J. de S. Deva Aditya as a Board Member exceeds nine years. Additionally, Mr. Deva Aditya is a Director of Melstacorp PLC, the parent company of Aitken Spence PLC, which holds a significant shareholding in the Company. However, his period of service and his office of Independent Non-Executive Director of Melstacorp PLC do not compromise his independence and objectivity in discharging his functions as a Director of the Company. Therefore, the Board determined that Mr. Deva Aditya is 'independent' of Aitken Spence PLC as per the Listing Rules.

Appointments and Succession

The Nomination Committee is delegated with the authority by the Board to review the structure and composition of the Boards of Aitken Spence PLC and its Group companies and make recommendations to the Board on all new Board appointments. This includes ensuring that the Boards have the knowledge, skills and experience required and is sufficiently diverse to provide different perspectives within the Board room. The Board considers the recommendations of the Nomination Committee and recommends suitable candidates for appointment, re-appointment, election or re-election as the case may be by the shareholders at the Annual General Meeting.

- Mr. C.R. Jansz was appointed as a Non-Independent Non-Executive Director at the Extraordinary General Meeting of the Company held on 14th February 2023 notwithstanding the fact that he has attained the age of 70 years as stipulated in Section 211 of the Companies Act No. 7 of 2007 (Companies Act). Mr. Jansz will be subjected to re-appointment by the Shareholders in terms of Section 211 of the Companies Act at the Annual General Meeting of the Company to be held on 30th June 2023.
- Mr. M.A.N.S. Perera was appointed as a Non-Independent Non-Executive Director of the Company with effect from 25th April 2023. Mr. Perera will be subjected to election by the Shareholders in terms of Article 90 of the Articles of Association of the Company, as a Director at the Annual General Meeting of the Company to be held on 30th June 2023.

The Board has the power to appoint Directors to fill any casual vacancy that may arise during the year. The Articles of Association of the Company require that Directors appointed in this manner hold office until the next Annual General Meeting and seek election by the shareholders at the said meeting ensuring shareholder participation in the election of Directors. The Board also has the power to approve the appointment of Alternate Directors to facilitate adequate deliberation of matters in case of absence of a Director.

In accordance with Articles of Association of the Company, 1/3 of Directors excluding the Chairman and the Managing Director retire from office at each Annual General Meeting. The Directors to retire every year shall be those who, being subject to retirement by rotation, have been the longest in office since their last election or appointment.

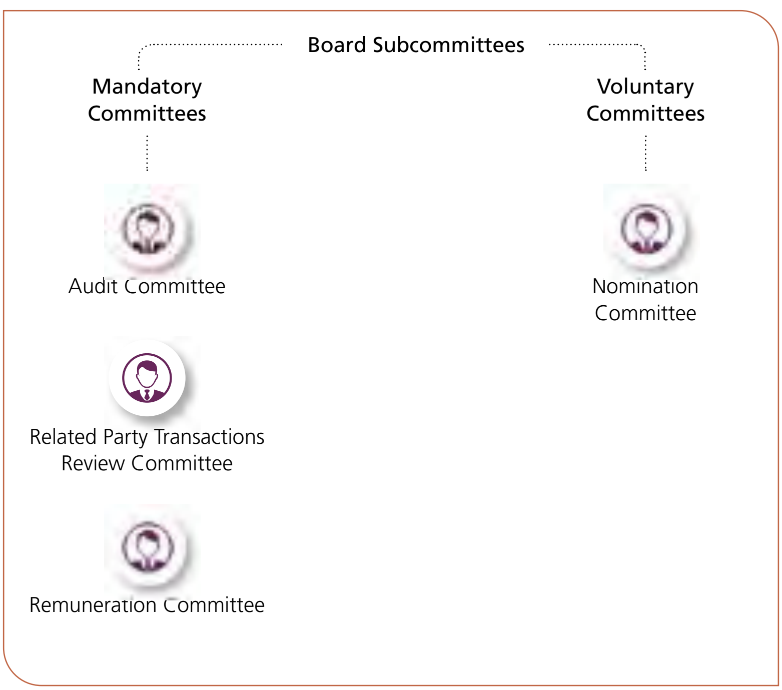
As required by the Listing Rules of the CSE, appointment of new Directors to the Board are promptly communicated to the CSE through announcements. The announcements typically include brief resumes of new Directors, relevant expertise, key appointments, shareholdings and status of independence.

The resignations of Directors need to be informed in writing by the Director and are communicated immediately to the CSE upon acceptance by the Board together with the relevant interest, if any, of the outgoing Director.

- Mr. A.L. Gooneratne resigned as an alternate Director to Mr. N.J. de S. Deva Aditya in the Board of Aitken Spence PLC with effect from 1st July 2022 and Mr. M.A.N.S Perera was appointed as an alternate Director to Mr. N.J. de S. Deva Aditya in the Board of Aitken Spence PLC with effect from 2nd January 2023.
- Mr. G.C. Wickremasinghe resigned from the Board of Aitken Spence PLC with effect from 30th November 2022.

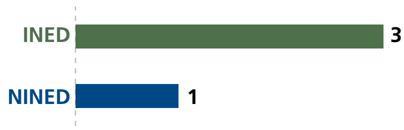
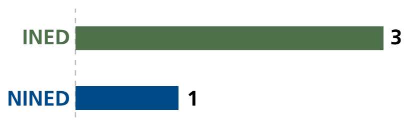
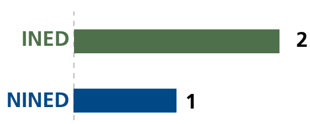
Board Subcommittees

The Board has delegated certain responsibilities requiring greater attention to four Board Subcommittees with oversight responsibility for same. This enables the Board to allocate sufficient time to matters reserved for its decision making, particularly execution of strategy and forward-looking agenda items, while ensuring delegated matters receive in-depth focus. The Committees, with the exception of the Nominations Committee, comprise of only Non-Executive Directors. Committee Chairmen are accountable for the effective functioning of the Committees and report regularly to the Board on Committee activities.



CORPORATE GOVERNANCE

Table 02: Board Sub-Committees (GRI 2-9 a)

Board Committee	Composition	Areas of Oversight
Audit Committee Report of the Audit Committee is given on pages 102 to 104	Three Independent Non-Executive Directors (INED) including the Chairman of the Committee and one Non-Independent Non-Executive Director (NINED) 	» Risk management and internal control » Financial reporting and financial control » Internal audit » External audit including assessing the independence of External Auditors » Compliance with legal and regulatory requirements
Related Party Transactions Review Committee Committee Report of the Related Party Transactions Review Committee is given on pages 105 and106	Three Independent Non-Executive Directors (INED) including the Chairman of the Committee and one Non-Independent Non-Executive Director (NINED) 	» Review all proposed Related Party Transactions and the post quarter confirmations in accordance with the requirements of the Listing Rules » Recommend appropriate actions for compliance in respect of proposed Related Party Transactions or post quarter confirmations as applicable » Annual Review of thresholds of transactions falling under the ambit of Section 9.3.2 of the Listing Rules based on the available Audited Financial Statements » Set out criteria to determine Key Management Personnel
Remuneration Committee Report of the Remuneration Committee is given on pages 100 and 101	Two Independent Non-Executive Directors (INED) including the Chairman of the Committee and one Non-Independent Non-Executive Director (NINED) 	» Determine the remuneration policy of the Directors and the Management Council » Determine the overall individual remuneration packages which includes compensation on termination of employment » Evaluate the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units
Nomination Committee Report of the Nomination Committee is given on pages 98 and 99	One Independent Non-Executive Director (INED) who is the Chairman of the Committee, one Non-Independent Non-Executive Director (NINED) and the Chairman of the Board (Executive Director) 	» Evaluate and recommend the appointment/ re-appointment/election/re-election of Directors to the Board » Evaluate and recommend suitable internal and external candidates to higher levels of management » Succession planning

Executive Committees

The Board has set up three tiers of Executive Committees with oversight responsibility enabling efficient discharge of the executive functions of the Board.

Table 03: Executive Committees

Executive Committee	Composition	Areas of Oversight
Group Supervisory Board (GSB)	» Dr. M.P. Dissanayake (Deputy Chairman and Managing Director) » Dr. R.M. Fernando (Executive Director) » Ms. D.S.T. Jayawardena (Executive Director) » Ms. N. Sivapragasam (Chief Financial Officer)	Formulates and oversees the execution of strategies within the policy framework set out by the Main Board
Management Council (MC)	» Managing Directors and Chief Executive Officers of the Sectors	Executes strategies at operational level
Sector Management Committees (SMCs)	» Group Supervisory Board » Sectoral Managing Director/Chief Financial Officer of the Sector » Senior Sectoral Management Team » Selected Members from the Cross Functional Senior Management Team	Monitors and reviews operations at sector level

A Framework for Governance (GRI 2-23, 2-24)

The governance framework has broadened in scope over the years, adapting to changing priorities as we moved beyond mere compliance with legal and regulatory requirements. The basis for the Group's policy framework is summarised below.

Governance Framework

Mandatory Compliance

- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 (SLFRs/ LKASs)
- Articles of Association
- Continued Listing Requirements of the CSE
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021
- Inland Revenue Act No. 24 of 2017
- Foreign Exchange Act No. 12 of 2017
- Group Code of Ethics and Professional Conduct
- Industrial laws
- Personal Data Protection Act. No. 9 of 2022

Voluntary Adherence

- Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants 2017
- Codes of regulatory authorities, professional institutions and Trade Associations
- United Nations Global Compact (UNGC)
- Global Reporting Initiative's (GRI) Universal Standards 2021
- Integrated Reporting Framework
- Women's Empowerment Principles
- Social and Environmental Certification Requirements
- UN Guiding Principles on Business and Human Rights

CORPORATE GOVERNANCE

A Board approved policy framework and codes support compliance with regulatory and voluntary requirements. The policies are reviewed periodically as required and updated, amended, altered or removed as deemed appropriate.

General Policies

Aitken Spence Group has adopted a suite of policies covering the following topics:

» Parental Leave

» Diversity and Inclusion

» Grievance Handling

» Sexual Harassment Prevention

» Remote working

See Human Capital on pages 204 to 216 for more information.

Sustainability Policy

A comprehensive Integrated Sustainability Policy enables the Board to understand and manage impacts of the organisation.

The policy and its implementation framework are overseen by an Executive Director who regularly updates the GSB on the progress.

See 'Managing Our Impacts' on pages 83 and 84 for more information.

IT Governance

Aitken Spence is ISO/IEC 27001:2013 certified, the world's highest benchmark for information protection and security ensuring confidentiality, integrity and availability of information. The certification is a specification for an Information Security Management System (ISMS) and the Company has adopted 49 management policies under the said standards.

Group Code of Ethics and Professional Conduct

Group Code of Ethics and Professional Conduct articulates the standards and expected behaviours of all employees and Directors. It is mandatory that all of them abide by the Group's Code of Ethics and Professional Conduct.

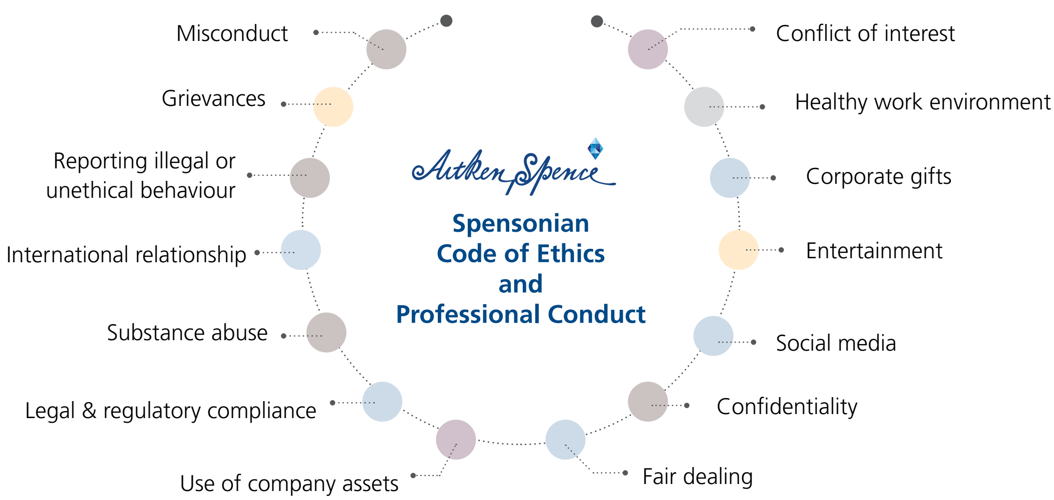
Group Anti-Bribery and Anti-Corruption Policy

Introduced in year 2020, Group Anti-Bribery and Anti-Corruption Policy has been re-validated during the financial year 2022/2023. This policy is applicable and binding on all employees and Directors. It is also applicable to third parties dealing with the Group.

Group Whistleblowing Policy

A Whistleblowing Policy is in place encouraging employees to speak up on matters concerning violations of the Group Code of Ethics and Professional Conduct or any other policy or any legal/regulatory requirement.

Group Code of Ethics and Professional Conduct



The Group is committed to conducting its business operations with integrity, professionalism and with respect to the rights and interests of all stakeholders. All employees and Directors abide by the Group Code of Ethics and Professional Conduct (Code) which embodies a strong set of corporate values and conduct. Its purpose is to preserve our values and our reputation for integrity and fair dealing which is a key strength of the Aitken Spence Group.

The Code is available on the intranet for information of all employees and is reinforced at all levels through training and structured communication. During the year, all employees were given access to review the Group Code of Ethics and Professional Conduct on the Group's online learning platform 'TARTAN'. The Board is not aware of any material violations of any of the provisions of the said Code by any Director or employee.

Anti-Corruption and Anti-Competitive Behaviours (GRI - 205)

The Company has zero tolerance for any form of bribery and corruption and will treat potential instances of bribery or corrupt behaviour as a threat to its integrity and reputation. Accordingly, all operations and activities are reviewed for risks related to corruption.

Binding on all Directors and Employees

Group's Anti-Bribery and Anti-Corruption Policy which was published by the Group Human Resources Division in consultation with the Group Supervisory Board is applicable to all Employees and Directors of the Group. Together with the Group's Code of Ethics and Professional Conduct and the Whistleblowing Policy, this policy encourages all staff members to be ethical and accountable in their dealings. Every employee agrees to comply with the Group's Code of Ethics and Professional Conduct and the Group's Anti-Bribery and Anti-Corruption Policy, when accepting the terms and conditions of employment. All executives and above staff are required to complete a mandatory assessment on the above-mentioned policies, which is facilitated through "TARTAN" the Learning Management System of Aitken Spence Group. Hence, all employees are familiarised with the conditions of the Group's Anti-Bribery and Anti-Corruption Policy.

Binding on Third Parties

Third-party agents, consultants, distributors, subcontractors or any other third-party representatives acting for or on behalf of the Group are prohibited to make or accept any offers, payments, promises, etc. on behalf of the Group. Any and all payments made to third parties, including but not limited to commissions, compensations and reimbursements must be made as per the terms and conditions which have been entered into by the third-parties via a written document. Such payments should also be properly invoiced/receipted and accurately documented.

Reporting and Disciplinary Action

Employees who witness or have reason to believe that the Anti-Bribery and Anti-Corruption policy has been violated must immediately report such violations to their immediate supervisor, HR Partner of the Strategic Business Unit (SBU) or Managing Director. Concealing information pertinent to such violations may result in the inability of conducting a proper investigation into the allegations. Employees who wilfully conceal information pertinent to instances of suspected corruption may also be subject to disciplinary action. The alleged violation will be reviewed and investigated and may lead to disciplinary action. Employees who report any suspected cases of corruption will be treated with confidentiality to the highest extent possible. The Group ensures that Employees will not be penalised for reports made in good faith.

Whistleblowing Policy GRI 2-26

The Group has put in place a Whistleblowing Policy to report, investigate and address any concerns in employee behaviour that are illegal in the workplace. The policy encourages employees to immediately report any suspected activities that are considered illegal. Such reports will be treated with the highest confidentiality and investigated by an independent custodian (ombudsman) appointed by the Management as per the Whistleblowing Policy. The policy ensures that those who raise genuine concerns under the Whistleblowing Policy are treated with the highest confidentiality and there is two-way communication with the whistleblower for any needed follow-up on the concern/s raised.

Effective Processes

Governance processes are vital for effective oversight and creating a culture that enables sustainable value creation within a defined framework that ensures compliance. The key processes are discussed below.

> "The Aitken Spence Group operates in accordance with ethical guidelines and maintains a culture of integrity throughout its operations. The Group does not condone any form of bribery and/or corruption. The Group practices a zero-tolerance approach towards bribery and corruption in all its transactions. Further, the Group expects all employees, stakeholders and other third parties providing services to or on behalf of the Aitken Spence Group to refrain from engaging in any form of corruption."
>
> *Aitken Spence PLC - Group Anti-Bribery and Anti-Corruption Policy*

Induction and Director Learning

On appointment, Directors are taken through a formal and tailored induction programme coordinated by the Deputy Chairman and Managing Director, where they are apprised of the Group values and culture, its operating model, Group policies, governance framework and processes, Group's Code of Ethics and Professional Conduct and operational strategies of the Group. Directors are availed the opportunity to have one-on-one meetings with the management of each subsidiary, visit sites, factories, hotels where appropriate.

Presentations are made to the Board on new developments in corporate governance and the operating environment. In addition, Board members are encouraged to participate in seminars, webinars conducted by professional institutions to enhance their knowledge which would aid and assist the Directors in discharging their duties in a more effective and efficient manner. Directors undertake training and professional development as they consider necessary, in their personal capacity. Other training and continuous professional development undertaken include attending seminars, workshops, conferences and reading regulatory updates etc.

Directors are sensitised about environmental and social priorities through targeted programmes, regular updates, and focused briefings. Moreover, several Main Board Directors and Managing Directors actively took part in accelerator programmes organised by the UN Global Compact, aimed at fast-tracking the achievement of the Sustainable Development Goals (SDGs).

Identifying and Managing Conflicts (GRI 2-15)

The Group has processes in place to identify and manage conflicts of interest which are listed below:

Directors' interest in transactions
All the Directors of the Company and its Subsidiaries are required to make the general disclosures annually as provided for in section 192(2) of the Companies Act. Note 40 to the Financial Statements dealing with related party disclosures includes details of their interests in transactions.

Directors' interests in shares
Directors of the Company and its subsidiaries who have relevant interests in the shares of the respective companies have disclosed their shareholdings and any acquisitions/disposals to their Boards, in compliance with section 200 of the Companies Act. Further, the relevant interests of each Director in the securities of the Company and any acquisition/disposals of same have been notified to the CSE in accordance with Section 7.8 of the Listing Rules and, accordingly, the relevant entries have been made in the Company's Interests Register which has been maintained as required by the Companies Act.

Annual declarations on Independence
In compliance with the Listing Rules of the CSE and schedule K of the Code of Best Practice on Corporate Governance, Non-Executive Directors submit declarations annually confirming their independence or non-independence against the specified criteria given under section 7.10.4 of the Listing Rules of the CSE.

Disclosure of Interest in Related Party Transactions
Declarations from Key Management Personnel of Aitken Spence (Board of Directors of the Company, Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies) and from the Group companies are obtained quarterly for the purpose of identifying proposed Related Party Transactions and post quarter confirmations of Related Party Transactions and to determine Related Party Transactions which ensures the compliance with the disclosure requirements of the Listing Rules of the CSE.

Related Party Transactions Review Committee
The Board has appointed a Related Party Transactions Review Committee comprising of three Independent Non-Executive Directors and a Non-Independent Non-Executive Director who meet quarterly to review Related Party Transactions during each quarter in line with the Continuing Listing Requirements of the CSE. The Committee met quarterly, and their report is given on pages 105 and 106.

Effective Board Meetings

The Deputy Chairman and the Managing Director suggests the agenda for Board Meetings together with the Company Secretaries which is reviewed and approved by the Chairman who presides over the meetings. Board papers are made available to the Directors one week prior to the meetings to facilitate review and clarification of matters to be discussed at the meetings. The Chairman ensures that all members of the Board are sufficiently briefed on matters and Senior Management is available for clarification as and when needed.

Table 04: **Details of Directors' Attendance at Board Meetings held during the Financial Year 2022/2023**

Name of the Director	DoA (Month/Year)	Meeting Date (DD/MM/YYYY) and Attendance							
		02/06/2022	30/06/2022	03/09/2022	09/11/2022	09/03/2023	Mode of Participation (In person)	Mode of Participation (Virtual)	Overall Attendance
Deshamanya D.H.S. Jayawardena Executive Chairman	4/2000	✓	✓	✓	✓	✓	0	5	5/5
Ms. D.S.T. Jayawardena Executive Director	12/2013	✓	✓	✓	✓	✓	0	5	5/5
Dr. M.P. Dissanayake Deputy Chairman and Managing Director	3/2019	✓	✓	✓	✓	✓	5	0	5/5
Dr. R.M. Fernando Executive Director	4/2005	✓	✓	✓	✓	✓	4	1	5/5
Mr. J.M.S. Brito Non-Independent Non-Executive Director	4/2000	✓	✓	✓	✓	✓	1	4	5/5
Mr. R.N. Asirwatham Independent Non-Executive Director	9/2009	✓	✓	✓	ex	✓	3	1	4/5
Mr. C.H. Gomez Independent Non-Executive Director	5/2002	✓	✓	✓	ex	✓	0	4	4/5
Mr. N.J. de S. Deva Aditya Independent Non-Executive Director	9/2006	✓	✓	✓	✓	✓	1	4	5/5
Mr. C.R. Jansz Non-Independent Non-Executive Director Appointed w.e.f. 14th February 2023	2/2023	N/A	N/A	N/A	N/A	✓	0	1	1/1
Mr. M.A.N.S. Perera Non-Independent Non-Executive Director Appointed w.e.f 25th April 2023	4/2023	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. M.A.N.S. Perera Appointed as an Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f. 02nd January 2023	1/2023	N/A	N/A	N/A	N/A	✓	0	1	1/1
Mr. A.L. Gooneratne Resigned as an Alternate Director to Mr. N.J.de S. Deva Aditya w.e.f. 01st July 2022	5/2012	ex	ex	N/A	N/A	N/A	-	-	-
Mr. G.C. Wickremasinghe Independent Non-Executive Director Resigned w.e.f. 30th November 2022	4/1972	✓	✓	✓	✓	N/A	4	0	4/4

DoA - *Date of Appointment* - *In person participation* - *Virtual Participation* **ex** - *Excused*

Effective Stakeholder Engagement
(GRI 2-12 b,c)

The Group has a comprehensive stakeholder engagement process in place as set out on pages 36 and 37 and these processes enable the Group to understand the concerns of the various stakeholders. The need to increase Board's understanding of customer satisfaction in a uniform manner across the diverse segments of the Group led to the introduction of a new survey during the year, the 'SpenceWay Service Excellence' survey which was conducted across 14 segments with results provided to the Board, GSB, MC and SMCs. This was conducted by the HR Department in addition to the 'Voice of Spensonians' employee opinion survey conducted for employees.

Internal Controls

Standard Operating Procedures (SOPs) prepared by subsidiary companies in the Group are reviewed by the Internal Audit and all employees of the Group are required to adhere to the said SOPs. Deviations from SOPs are reported and suitable remedial action is agreed with the management. Serious deviations from SOPs are subject to further investigation and root cause analysis with appropriate disciplinary action initiated. Internal Audit Reports comprising of the audit findings, risk ratings and explanations given by the Management are reviewed by the Audit Committee who recommend further action to prevent or strengthen controls as deemed appropriate.

Performance Oversight

Performance is reviewed periodically by the GSB and the Board who consider performance vis a vis strategies, agreed budgets and targets encompassing both financial and non-financial performance. They receive sufficient explanations for over and under performance and deliberate on the need for strengthening resources allocated for the pursuit of critical strategic objectives.

Each subsidiary is managed by a group of Directors and the CEO's of these companies, which make up the Management Council who report to the Deputy Chairman and Managing Director. Sectoral Management Committee meetings are held quarterly with the participation of the senior management team of the subsidiary, including senior management team of the corporate office who discuss in depth, the operational environment, risks, threats and strategy and the performance related issues. These meetings are headed by the Deputy Chairman and Managing Director or another Board Director.

Risk Management

The Board is responsible for setting in place a system to identify, measure, monitor and manage the principal risks of the Group and determining the level of risk it is willing to accept in relation to its strategic goals. This year, the Group implemented a centralised risk management process using a central Risk Register which will be updated regularly by the business segments to enable the preparation of a consolidated risk register for the Group. This also ensures that business segments take a holistic approach in identifying and assessing risks from a continuously updated risk universe and a common taxonomy and classification is followed, facilitating consolidation. Additionally, specialised central services such as HR and IT assess the specialised risks for the Group, ensuring that the risks capture issues related to subsidiaries as well through regular meetings with business segment heads. The Group Internal Audit division reviews the risk management processes and moderates same prior to reporting to the Board on Group risks.

For more details, please refer to the Risk Management on pages 91 to 97 of this Annual Report.

Resource allocation

Any new investment/project is discussed with the GSB and evaluation is jointly carried out by the respective subsidiary as well as the Corporate Finance Team, who then present their observations on same to the GSB. Environment and social impacts are also analysed in addition to the financial evaluation. If approved, these are then presented to the Main Board.

Legal and Regulatory Compliance

All Chief Financial Officer's have to sign off on adherence to compliance with the SLFRS and tax regulations on a quarterly basis. Operational compliance is monitored by the SMCs who keep the Board informed regarding matters of concern identified. Additionally, Internal Audit also reviews compliance with regulatory and legal requirements and submit reports to the Audit Committee which convenes on a regular basis to discuss these reports. Any significant issues are further escalated to the main Board. Audit Committee signs off on an Internal Audit Plan for the year and may request for additional reviews as and when required.

Evaluation of Performance of the Board (GRI 2-18)

Performance of the Deputy Chairman and Managing Director and other Executive Directors are assessed at the end of each financial year against financial and non-financial objectives set out in consultation with the Board at the commencement of every financial year. The evaluation is carried out by the Chairman, against the backdrop of the operating environment. Remuneration is revised based on performance. Areas identified for improvement are communicated to the respective Director, including training needs and skills and knowledge gaps.

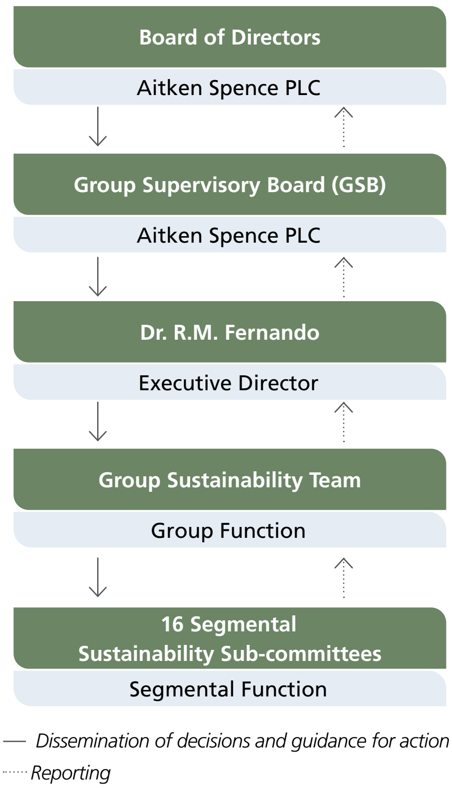
Managing Our Impacts (GRI 2-13)

Role of the Board in Managing Impacts (GRI 2-12 a)

The process to identify impacts and prioritise the most significant impacts is explained in the 'Determining Materiality' section of this Annual Report.

The Group has put in place a comprehensive policy framework and governance structure to ensure economic, social and environmental sustainability. This process is led by the Board with Executive Director, Dr. R.M. Fernando directly overseeing the implementation of the Group's sustainability strategy. Key decisions on impacts identified as significant and/or requiring significant resource allocation/changes to business models are reviewed at GSB level and are escalated to Board level where necessary.

All 16 segments of the Group have separate sustainability teams (Sustainability Sub-committees) that report to their respective Managing Directors and have the independence to enhance the benchmarks (Essential/Expected/ Exemplary Action Points) set across the Group. Over 600 team members across the Group handle diverse responsibilities, maintaining more than 140 diverse management systems for ESG.



Communication of Critical Concerns (GRI 2-16)

The Sustainability Sub-committees within the Group carry out internal inspections periodically to ensure sustainability practices are effective to achieve its objectives. The results of these inspections as well as routine impact assessments and stakeholder concerns are reviewed by management at least once a year to assess overall progress.

Accordingly, critical concerns are raised by each team to their Managing Directors (MDs) and through the MDs to the GSB and Main Board if required.

In addition, the Group's Sustainability Team meets monthly, convened by Dr. Fernando, Executive Director of Aitken Spence PLC. The team discusses progress and raises any issues/concerns directly with Dr. Fernando, who in turn reports on same to the GSB and to the Board of Directors for their information/direction on course of action to be pursued.

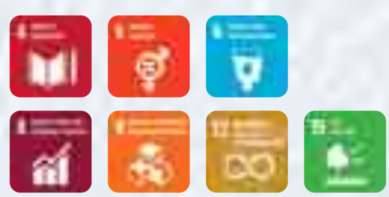
Role of the Highest Governance Body in Sustainability Reporting (GRI 2-14)

The Board approves all policies and initiative undertaken by the Group pertaining to economic, social and environmental sustainability and has appointed an Executive Director to oversee the implementation and execution of same together with the group sustainability division and team.

Sectoral Management Committees, the GSB and the Board receive regular reports on material matters and these form key inputs in driving performance management, strategy formulation and resource allocation.

Our Commitment to Sustainable Development Goals

The Group studies local and global development priorities to determine areas of focus for business sustainability. Consequently, Aitken Spence has strategically aligned with seven sustainable development goals based on specific targets and indicators that correspond to our material matters or priorities.



For more details, please refer Synopsis: The Group's Alignment to the SDGs on pages 50 to 54 of this Annual Report.

Mitigating Our Impacts and Embedding Policy Commitments (GRI 2-24)

The Company has established an Integrated Sustainability Policy that encompasses 21 policy commitments. All segments specified in our reporting boundary adhere to the Group's Sustainability Policy, which provides guidance on necessary actions to ensure sustainability. To ensure the realisation of these commitments, each statement is reinforced by a corresponding action plan. These action plans are designed into a framework to provide flexibility to the Company's diverse segments, which may have distinct priorities. This structure is described below.

Aitken Spence

Integrated Sustainability Policy

For a detailed overview of our policy, please refer to
'Decoding our Integrated Approach to Sustainability'
on pages 387 to 393 of this Annual Report.

The Action Plan to Implement the Policy Commitments

Level 1:
Must Do

These are commonly applicable actions deemed 'Essential' for all segments to comply with, ensuring a minimum standard across the Group.

e.g: All segments must establish environmental management systems.

Level 2:
Should Do

These are 'Expected Actions' that are specified for segments based on the scale and nature of their operations.

e.g: Operations with potential impacts on biodiversity are expected to incorporate higher control measures in their Environmental Management Systems (EMS).

Level 3:
Could Do

These are 'Exemplary Actions' recommended to segments (optional) to champion a cause or give visibility to one.

e.g: Segments can opt to certify their management systems or take on projects to enhance value created.

These policy commitments aimed at promoting social and environmental sustainability are also met through the implementation of other policies, procedures, and best practices that fall within different operational structures of the Group. For instance, Human Resources governance structures fulfil the policy commitment 'P' to harness a motivated and dedicated workforce (Please refer to the 'Decoding our Integrated Approach to Sustainability' for a more detailed overview). This demonstrates the interconnectedness of policies and practices within the Group and how they work together to achieve common objectives.

Each segment also has its own unique strategies in place that are designed to meet the needs of these policies. Management systems aligned to global benchmarks and best practices play a crucial role in these strategies as it facilitates a systemic approach to identify and manage environmental and social impacts.

98 Management systems established for environmental impact control out of which 40 are certified

112 Management systems established for social impact control out of which 35 are certified for Occupational Health & Safety (OHS) and 42 are certified for quality/ product safety

Diversity and Inclusion

The Board is driving Diversity and Inclusion as a key priority over the next two years to increase female representation across all business segments in the Group. Accordingly, a comprehensive policy framework and implementation programme is being carried out with vigour and is more-fully described in the Human Capital on pages 205 and 215 of this Annual Report.

Remuneration (GRI 2-19, 2-20)

Director Remuneration

Director's and Key Management Personnel's (KMPs) remuneration is linked to sustainable value creation objectives in line with the Group's strategy and is based on clear performance targets that have adequate stretch and market benchmarking. The Remuneration Committee in consultation with the Chairman and Deputy Chairman and Managing Director is responsible for making recommendations to the Board regarding the remuneration of the Executive Directors and KMPs. For further information, please refer Remuneration Committee Report on pages 100 and 101 of this Annual Report.

The Board as a whole determines the remuneration of the Non-Executive Directors (NED's). NEDs are remunerated based on their attendance at Board and/or Committee meetings. Remuneration for NEDs reflects the time commitment and responsibilities of their role, taking into consideration market practices. They do not receive any performance related incentive payments. Professional advice is sought by the Board and Remuneration Committee in discharging their responsibilities.

Level and Make Up of Remuneration

The Remuneration packages are designed to attract eminent professionals as Executive Directors with the requisite skills and experience. Remuneration is structured taking into consideration performance and risk factors entailed in the job and aligned to corporate and individual performance.

Remuneration of Executive Directors are compliant with the provisions of Schedule E of the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka and comprises two components, fixed remuneration and variable remuneration including of an annual performance bonus. No special early termination clauses are included in the contract of employment of Executive Directors that would entitle them to extra compensation. However, such compensation, if any, would be determined by the Board of Directors.

Employee Remuneration Policies

Aitken Spence's remuneration policy is designed to incentivise employees in creating long-term value for the Group and aligning their interests with the Group's strategic direction. This policy ensures effective utilisation of Group resources and a continued focus on sustainability, growth, and long-term value. The Group has established policies to ensure that remuneration and benefits are fair, transparent, competitive, and cost-effective, while also aligning with the Group's business goals. The implementation of this policy is overseen by the Group Chief Human Resource Officer.

A total reward philosophy is maintained within the Group, encompassing both monetary and non-monetary rewards. In order to position the group as an employer of choice, new rewards have been introduced to provide staff with a unique value proposition.

For more details, please refer to Human Capital on pages 204 to 216 of this Annual Report.

Accountability and Audit

The Audit Committee assists the Board in discharge of its responsibilities relating to the financial reporting and the audit of the same. The Audit Committee reviews internal audit reports and risk management reports that are submitted to them regularly. This Committee is also responsible for determining the adequacy of risk management and internal control. Further details of activities are set out on the Audit Committee Report on pages 102 to 104 of this Annual Report.

> Employee remuneration was a key area of focus during the year with pay increases awarded to non-executive staff to support them through the economic crisis. Additionally, non-recurrent support to the extent of Rs. 104.5 Million was distributed to them as well. All staff were given increments to adjust to a higher cost of living.

Shareholder Communications

Shareholder Communications are managed by the Company Secretarial division. While the Annual General Meeting (AGM) is the main platform, Shareholders also have the opportunity to ask questions, comment or make suggestions to the Board through the Company Secretaries. All significant issues and concerns of shareholders are referred to the Board with the views of the Management. Shareholder queries are responded to by the Company Secretaries for an on behalf of the Management. Opportunity is also provided to address the Board directly at AGMs.

The Board approves the quarterly Financial Statements for dissemination to shareholders through the CSE in a timely manner. All other price sensitive information such as major acquisitions or disposals and share transaction dealings are also notified promptly to the CSE.

Building Digital Resilience (GRI 418)

Aitken Spence PLC's emphasis on Internet of Things (IoT) and cybersecurity aligns with the increasing trend of digital transformation and the necessity for businesses to adjust to the ever-changing technological environment. Our investment in these areas underscores our commitment to innovation and our efforts to safeguard our businesses against cyber threats. The Board has the ultimate responsibility for establishing the required infrastructure, organisational structures, policies, and procedures for effective governance over our digital infrastructure, systems, and information assets.

Aitken Spence has upheld its certification for the internationally recognised ISO/IEC 27001:2013 Information Security Standards since 2014. The certification is a testament of our conformance to the highest information systems practices and protocols in accordance with global standards. The certification supports the Company in identifying the risks to the security of information. Identified risks will be evaluated and proper measures are taken by the Group IT Services team to mitigate or minimise the threats. The Board of Directors shall be regularly updated regarding the controls in place to mitigate cyber risks, and on possible cyber risks that the Company is exposed to by the Group IT Services team which also reports more frequently to the Management Council and the Group Supervisory Board.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022 (PDPA), Aitken Spence Group has given its utmost attention to data security, integrity and information management. Though the Group is yet to specifically adopt measures catering to PDPA, it has put in place the policies, procedures and frameworks such as ISO/IEC 27001/2013 Information Security Standards to ensure data security, integrity and information management.

Further, Aitken Spence Group has implemented robust Data Loss and Prevention policies (DLP) associated with all platforms and dual layers of security in preventing any breaches of information security. Additionally, the application platforms used by the Group have the embedded platforms to comply with the international standards of information protection such as GDPR. With the implementation of the Semi Virtual Mobility programme, the Group has implemented a remote working policy which required employees to take necessary steps to protect Company data and any other information that is accessible from their home office. The policy outlines the best practices for remote working and provides guidelines for maintaining a secure work environment.

For more details, please refer to Intellectual Capital on pages 217 to 224 of this Annual Report.

The Compliance levels with the Code of Best Practice on Corporate Governance 2017, issued by the Institute of Chartered Accountants of Sri Lanka are available on Company's website at https://aitkenspence.com/corporate-governance/corporate-governance-report

Table 05: **Compliance with the Companies Act No. 7 of 2007**

Section	Requirement	Further reference	Compliance Status
168 (1)(a)	Any change during the accounting period in the nature of business of the Company or any of its subsidiaries and the classes of business in which the Company has an interest	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (b)	Financial Statements of the Company and the Group for the accounting period completed and signed	Refer Financial Statements and Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (c)	Auditors Report on Financial Statements of the Company and the Group	Refer Financial Statements of this Annual Report	Complied
168 (1) (d)	Change of accounting policies during the accounting period	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (e)	Particulars of entries in the interest register made during the accounting period	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (f)	Remuneration and other benefits paid to the Directors during the accounting period	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (g)	Total amount of donations made by the Company and the Group during the accounting period	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (h)	Directorate of the Company and the Group as at the end of accounting period along with the changes occurred during the accounting period	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (i)	Amounts payable to the Auditors as audit fees and fees payable for other related services provided by them	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (j)	Relationship or interest of the Auditors with the Company or any of its subsidiaries	Refer Annual Report of the Board of Directors of this Annual Report	Complied
168 (1) (k)	Annual Report of the Board of Directors signed on behalf of the Board	Refer Annual Report of the Board of Directors of this Annual Report	Complied

Table 06: Compliance with the Continuing Listing Requirements - Section 7.6 on the Contents of Annual Report Issued by the Colombo Stock Exchange

Section	Requirement	Nature of Compliance by Aitken Spence PLC	Compliance Status
7.6 i)	Names of Directors of the entity	Refer Corporate Information of this Annual Report	Complied
7.6 ii)	Principal activities of the entity and its subsidiaries during the year under review	Refer Annual Report of the Board of Directors and the Group Directorate of this Annual Report	Complied
7.6 iii)	20 largest holders of voting and non-voting shares and the percentage of shares	Refer Investor Information of this Annual Report	Complied
7.6 iv)	The float adjusted market capitalisation, Public Holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Refer Investor Information of this Annual Report	Complied
7.6 v)	Directors and CEO's holding in shares of the entity at the beginning and end of reporting year	Refer Investor Information of this Annual Report	Complied
7.6 vi)	Information pertaining to material foreseeable risk factors	Refer Risk Management of this Annual Report	Complied
7.6 vii)	Details of material issues pertaining to employees and industrial relations	Refer Human Capital of this Annual Report	Complied
7.6 viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties	Refer Note 15.3 and 16.3 to the Financial Statements of this Annual Report	Complied
7.6 ix)	Number of shares representing the stated capital	Refer Investor Information of this Annual Report	Complied
7.6 x)	Distribution schedule of the number of holders and the percentage of their total holding	Refer Investor Information of this Annual Report	Complied
7.6 xi)	Ratios and market price information	Refer Investor Information of this Annual Report	Complied
7.6 xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land	Refer Note 15 and 16 to the Financial Statements of this Annual Report	Complied
7.6 xiii)	Funds, (if any) raised either through a public issue, rights issue and private placement	The Company had no public issue, rights issue or private placement during the year under review	N/A
7.6 xiv)	Employee share option/purchase schemes	The Company had no share option/purchase schemes made available to its Directors or employees during the year under review	N/A
7.6 xv)	Corporate Governance Disclosures	Refer Corporate Governance Report of this Annual Report	Complied
7.6 xvi)	Related Party Transactions	Refer Note 40 to the Financial Statements and the declaration of the Board of Directors embodied in the Annual Report of the Board of Directors of this Annual Report	Complied

Table 07: **Compliance with the Continuing Listing Requirements - Section 7.10 on Corporate Governance Rules for listed Companies Issued by the Colombo Stock Exchange**

Section	Requirement	Disclosure	Compliance Status
7.10	Compliance with Corporate Governance Rules	Refer Corporate Governance Report and the Annual Report of the Board of Directors of this Annual Report	Complied
7.10.1(a)	Non-Executive Directors (NED) » At least two or one third of the Directors, whichever is higher, should be Non- Executive Directors	Refer 'Composition' in the Corporate Governance Report of this Annual Report	Complied
7.10.2(a)	Independent Directors » Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report	Complied
7.10.2(b)	Independence of Directors » Each Non-Executive Director should submit a declaration of Independence/ Non-Independence	Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report	Complied
7.10.3(a)	Independence of Directors » The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director Disclosure relating to Directors » The names of Directors determined to be independent should be disclosed in the Annual Report	Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report	Complied
7.10.3(b)	Criteria not met by the Non-Executive Directors and basis for determining independance	Refer 'Independence of the Directors' in the Corporate Governance Report of this Annual Report	Complied
7.10.3(c)	Disclosure relating to Directors » A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Refer 'Board profiles' of the Directors of this Annual Report	Complied
7.10.3(d)	Appointment of new Directors » Provide a brief resume of any new Director appointed to the Board	Refer 'Appointment and Succession' in the Corporate Governance Report of this Annual Report	Complied
7.10.5	Remuneration Committee » A listed company shall have a Remuneration Committee	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5(a)	Composition of Remuneration Committee » Shall comprise of Non-Executive Directors, a majority of whom shall be Independent	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5(b)	Functions of Remuneration Committee » The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Refer Remuneration Committee Report of this Annual Report	Complied

Section	Requirement	Disclosure	Compliance Status
7.10.5(c)	Disclosure in the Annual Report relating to Remuneration The Annual Report should set out; a. Names of the Directors comprising the Remuneration Committee b. Statement of Remuneration policy c. Aggregate remuneration paid to Executive and Non-Executive Directors	Refer Remuneration Committee Report and Note 9 to the Financial statements of this Annual Report	Complied
7.10.6	Audit Committee » A listed company shall have an Audit Committee	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(a)	Composition of Audit Committee » Shall comprise of Non-Executive Directors, a majority of whom are Independent » Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings » The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(b)	Functions of the Audit Committee	Refer Audit Committee Report of this Annual Report	Complied
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee a. Names of the Directors comprising the Audit Committee b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination c. The Annual Report shall contain a Report of the Audit Committee in the prescribed manner	Refer Audit Committee Report of this Annual Report	Complied
9.3.2	Related Party Transactions Review Committee a. Details pertaining to Non-Recurrent Related Party Transactions b. Details pertaining to Recurrent Related Party Transactions c. Report of the Related Party Transactions Review Committee d. Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Refer Related Party Transactions Review Committee Report and the Annual Report of the Board of Directors of this Annual Report	Complied

RISK MANAGEMENT

Risk management has gained importance over the past several years as known risks evolved and escalated, while new risks were defined to meet the needs of an increasingly complex operating environment. The ability to identify early warning signs and fortify businesses to manage the impacts of escalating risks has been key in managing the performance of the Group through the turbulence of the year in review. This report is a summary of how we managed converging risks in an extraordinarily challenging year.

Risk Governance

The Group has a well-established risk management structure which is aligned to the three lines of defence model, as set out below.

The Board is responsible for risk management of the Group. Risk is reviewed at each Board meeting and appropriate responses are formulated and resources allocated as necessary. The Board is assisted by the Audit Committee and the Group Supervisory Board who meet more frequently to review the risks. The main objective in monitoring risk exposure is to secure the stability of the Group and manage risks and returns within the Group's risk appetite while pursuing corporate goals.

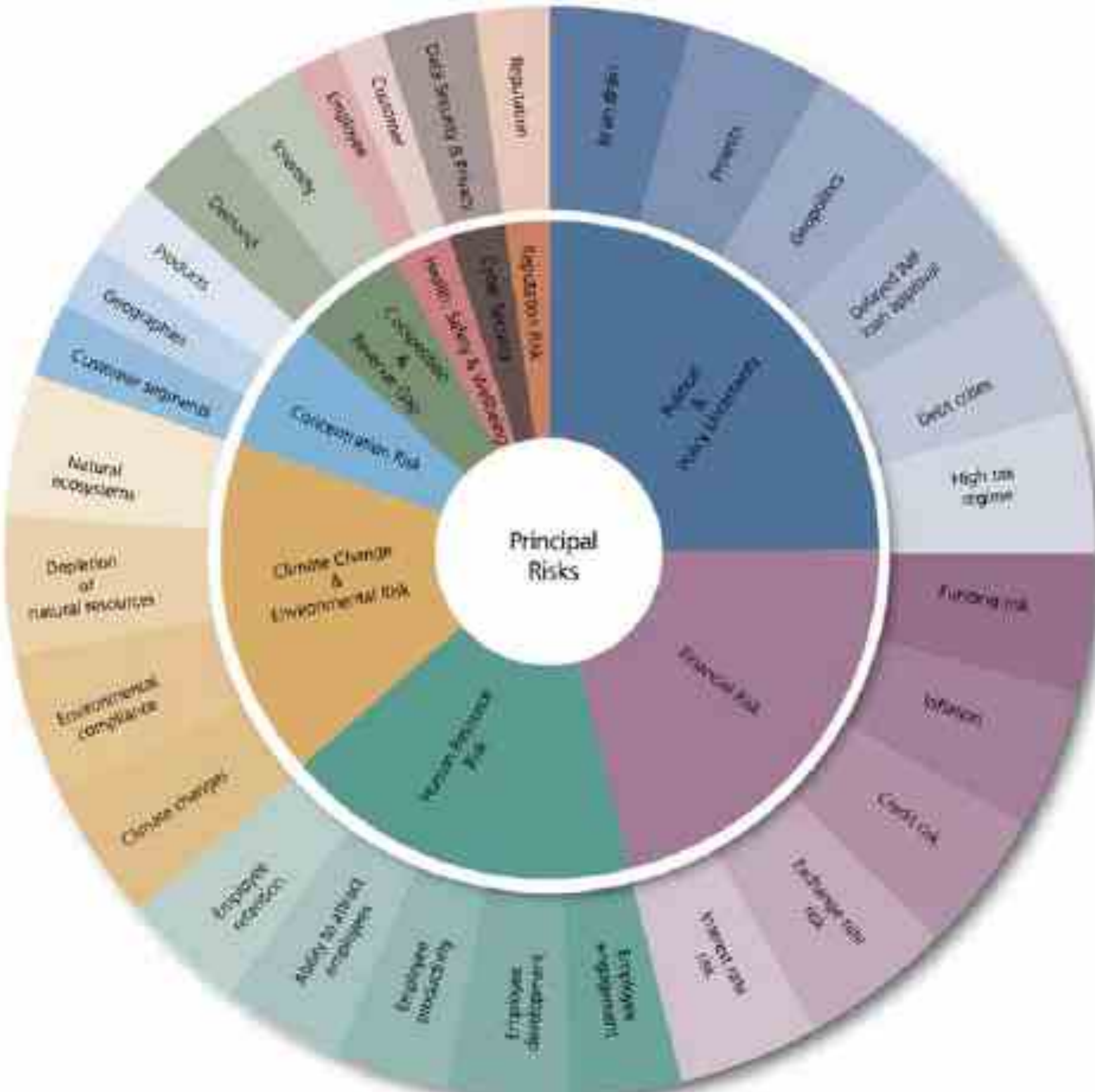
Each Strategic Business Unit (SBU) is responsible for the identification, measurement, monitoring, management and reporting of risks to their respective Boards and to the Strategic Risk Unit. Consideration of the business climate, competition, stakeholder concerns and the SBU's business goals forms part of the process.

The unit is responsible for collating and aggregating risk assessments as well as providing technical guidance to SBUs to ensure accurate and timely identification, assessment and management of risks.

RISK MANAGEMENT

A Common Language

During the year, the Strategic Risk Unit rolled out a centralised risk register to facilitate a common language and process for risk management throughout the Group's diverse business segments and specialised corporate functions such as human resources and IT, which provide guidance to all business segments on matters within their purview. All business segments and specialist functions were consulted on building the common risk register and technical guidance was provided on assessing the risks. The risks included in the risk register at the closure of the year are graphically summarised below.



Connectivity within the Annual Report

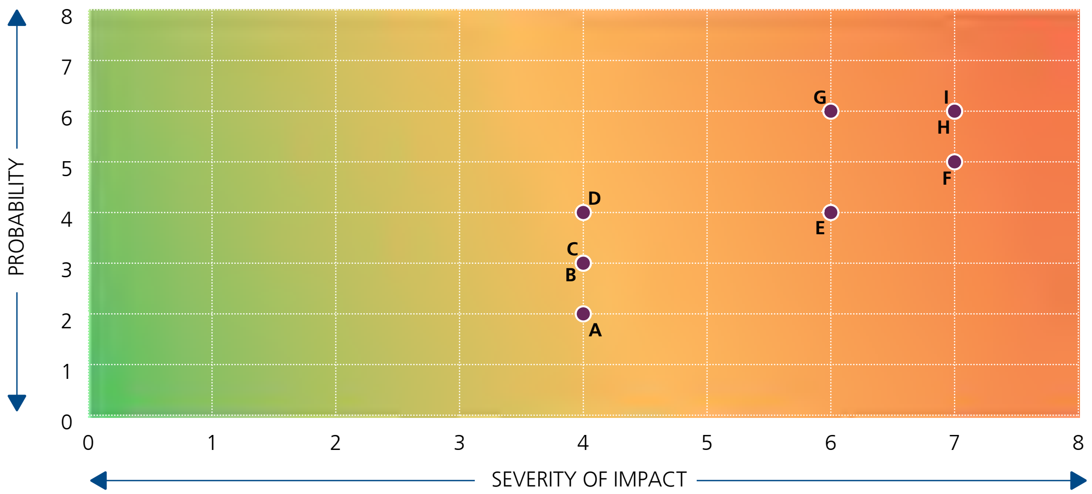
The following sections of this report are connected to the Annual Report, as set out below:

- Risk environment – Refer operating environment on page 20 which describes the risk environment that prevailed during the year, providing context for risk assessments.
- Business reviews – The risks and opportunities identified by the business segments were considered in compiling and updating the risk register.
- Material matters – Matters that are material to the Group were considered in compiling the risk register as set out on page 40.
- Capitals reports – These set out how the risks were managed in more detail and are indicated alongside the relevant risks in the summary of risks provided in this report.

Risk Assessment

The risk heat map below provides a high-level view of the principal risks the Group is exposed to.

Risk Heatmap



A	Health, Safety and Well- being	F	Human Resource Risk
B	Reputation Risk	G	Political and Policy Uncertainty
C	Concentration Risk	H	Climate Change and Environmental Risk
D	Competition and Revenue Gap	I	Financial Risk
E	Cyber Security Risk		

RISK MANAGEMENT

Top Risks	Risk Indicator and Risk Rating	Mitigation Strategies

Financial Risks

Various financial risks loom over Group's investments and operations. The following are the key risks in this area:

- Considerable amount of credit needs to be extended by the Group for it to generate healthy volumes of business. The amount of credit granted by sectors may expose them to a default risk.
- The Group's debt obligations in terms of floating interest rates exposes it to interest rate risk.
- The Group is also exposed to foreign exchange rate risk where it has cash flows in foreign currency which are affected by foreign exchange movements.

	2022-23	2021-22
Indicator		
Interest Rate Spread (weekly AWPLR)	Min : 9.85% Max : 29.67% Spread : 1,982 basis points (19.82%)	Min : 5.43% Max : 9.71% Spread : 428 basis points (4.28%)
Annual depreciation of LKR against the USD	11.32%	47.26%
Percentage of trade debtors over 90 days	37.8%	23.2%
Rating	High	High

- Implementing cost-cutting measures to improve working capital efficiency.
- All sectors focus on prudent management of debtors.
- Ensuring that long and short term funding are negotiated and sourced at low interest rates.
- Maintaining forex buffer and utilising forward contracts where available.
- Maintaining sufficient bank facilities and striving for short working capital cycles.
- The Group ensures that inflation is inbuilt to the pricing strategies of all sectors.

Climate Change and Environmental Risk

The manifestations of climate change include higher temperatures, altered rainfall patterns and more frequent or extreme weather events such as heatwaves, droughts and storms.

Plantation and power segments are directly impacted by weather patterns while extreme weather events may have a significant impact on the entire Group.

Further, every activity has an environmental impact that if not managed can be a risk to the environment, our communities and the sustainability of the business.

	2022-23	2021-22
Indicator		
Number of extreme weather event alerts received from DMC	337	281
Volume of water withdrawn (M3).	1,094,597	796,024
Direct greenhouse gas emissions (tCO_2).	93,411	73,178
Rating	High	Moderate

- Vulnerability assessments are conducted across the Group to identify potential risks and preventive measures are taken to strengthen disaster risk reduction mechanisms while improving business continuity plans.
- Inventory and PPE are insured against damages from natural disasters.
- Extreme weather events are continuously monitored via alerts received from disaster management center.
- Business models are assessed frequently for climate change related risks.
- The Group adopts an integrated approach to sustainability which supports the reduction of carbon and water footprints.
- Providing training on disaster risk reduction and business continuity planning to develop mitigation and adaptation strategies.

Top Risks	Risk Indicator and Risk Rating	Mitigation Strategies

Political and Policy Uncertainty

The Government's tendency to impose strict exchange control regulations, import restrictions and new tax regulations due to the present economic situation in the country, may adversely impact the Group.

	2022-23	2021-22
Indicator		
12 Month average LMD – NielsenIQ business confidence index	90	110
Rating	High	High

- Strategic Risk Unit monitors the domestic and global operating environment to identify early warning signs of risks and opportunities which are promptly intimated to the management.
- Mobilising internal resources to ensure timely response to regulatory changes and maintaining regulatory compliance.
- Constant engagement with regulatory authorities together with trade chambers and associations, so as to be up to date with new laws and regulations and influence those which adversely impact the economy and the business environment.

Human Resource Risk

Due to the economic condition of the country significant number of professionals and skilled employees are migrating or taking up overseas employment. As a result, attracting and retaining suitably skilled and experienced staff is a constant challenge.

	2022-23	2021-22
Indicator		
Employee Attrition Rate	24.5%	20.5%
Rating	High	Moderate

- Comprehensive talent management programmes are in place to build talent pipelines including succession planning.
- Job rotation and overseas assignments are offered to employees to develop their leadership qualities.
- The management ensures the credibility of grievance mechanisms.
- Human Resources policies and practices cognizant to trends in the industry are frequently updated.

Cyber Security Risk

Majority of the Group processes are supported by one or many internet driven services. While the Group encourages work from home practices, this in turn presents a unique set of cyber threats.

	2022-23	2021-22
Indicator		
Country ranking as per the National Cyber Security Index	76	78
Rating	Moderate	High

- Application installation and configuration is centrally controlled.
- IT sourcing is from reputed and reliable vendors.
- Security operations center is centrally managed.
- Group-wide staff awareness and programs are conducted on information security and on handling of sensitive information.
- Different protection technologies are implemented to manage network perimeter defence, data loss, cyber-spoofing, distributed denial of service attack, mobile devices and monitor suspicious cyber activities.

RISK MANAGEMENT

Top Risks	Risk Indicator and Risk Rating	Mitigation Strategies
Competition and Revenue Gap Increasing competitive pressure will prevent the Group from achieving its predicted margins and market share. Most markets in which the Group operates are characterised by strong competition and are often price driven.	Rating — 2022-23: Moderate; 2021-22: High	» Close monitoring of strategy implementation by Group Supervisory Board. » Continued efforts to develop new markets and market segments. » Monitoring market dynamics along with quarterly competitor analysis. » Leveraging strategic partnerships and Group synergies. » Group-wide initiative are carried out to focus on customer centricity. » Spenceway Service Excellence surveys are performed to ascertain a baseline for continuous improvement. » Increasing online presence and engaging customers online. » Focus on further diversity to reduce reliance on a single product or market.
Concentration Risk Some segments of the Group are exposed to concentration risk.	Rating — 2022-23: Moderate; 2021-22: N/A	» Group Supervisory Board continuously monitors concentration risk. » Close monitoring of correlations between industries are carried out at Group level. » Focus on growth in defensible sectors of the economy.
Reputation Risk The Group renders its services and products to large number of customers and interacts with hundreds and thousands of stakeholders annually, exposing the Group to potential reputational risk. Reputational risk, if not properly managed can quickly escalate into a major strategic crisis.	Rating — 2022-23: Moderate; 2021-22: Moderate	» Code of ethics and professional conduct is applicable to all directors and employees. » Sound governance and comprehensive policy framework are in place to articulate Group's management approach on material topics. » The Group has an integrated sustainability management policy and a dedicated team to ensure the implementation of same. » Standard operating procedures for key business processes are in place. » The Group voluntarily adopted the Environmental, Social and Governance (ESG) framework. » Voluntary alignment to international best practices through certification on quality, environment and social management systems. » Frequent social media surveillance and formulating appropriate responses by a specialist team.

Top Risks	Risk Indicator and Risk Rating	Mitigation Strategies
Health, Safety and Well being The safety and wellbeing of our employees and the other stakeholders is a priority for the Group. We also understand that specific aspects of our operations may present higher levels of risk to employee's health and safety. Thus, we have taken measures to safeguard employees, who are exposed to higher levels of health and safety risks in several businesses within the Group.	(see indicator table below)	» Customer health and safety is benchmarked with international quality management systems for food safety in Tourism sector and plantation segment and by "Worldwide Responsible Accreditation Production" in the apparel segment. » Continuous reinforcement of health and safety measures at all locations where risks have been identified. » Provision of personal protection equipments in areas of risk.

	2022-23	2021-22
Indicator		
Number of Injuries in the Group	116	187
Rating	Low	High

Opportunities

Risks and opportunities are intertwined, and it is well established that an organisation needs to take risks to progress. The opportunities perceived in these key areas of risk are set out below.

Green/sustainable funding	Invest in essential services and import substitution	Strategic partnerships	Technology driven growth	Diversification
» The Group's strong commitment to sustainability provides a solid foundation to raise funds through green/ sustainable financing options.	» The current operating and policy environment supports investments in import substitution and in industries supporting essential services.	» Grow existing relationships and acquire new relationships to drive growth. » Develop new markets leveraging strategic partnerships. » Leverage Group synergies to grow.	» Collaborative growth. » Implementing leaner ways of working. » Seeking new ventures based on ground breaking technology.	» Geographical and industry diversification. » Moving into new customer segments.

NOMINATION COMMITTEE REPORT

"Our Nomination Committee plays a critical role in identifying and selecting the best candidates who can bring unique perspectives and skills to our Boardroom. We remain committed to ensuring that our Board composition reflects the diversity of our employees, customers and communities and that it remains aligned with our strategic priorities and long-term goals."

R.N. Asirwatham
Chairman

Composition of the Committee

- **Mr. R.N. Asirwatham** – Chairman
  (Appointed as Chairman of the Committee w.e.f. 23rd March 2023)
- **Deshamanya D.H.S. Jayawardena**
- **Mr. J.M.S. Brito** (Appointed w.e.f. 23rd March 2023)
- **Mr. G.C. Wickremasinghe** (Resigned w.e.f. 30th November 2022)

Independent Non-Executive Director *Executive Chairman*
Non-Independent Non-Executive Director

The Committee's composition complies with the requirements of principle A.7 and Schedule A of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Mr. G.C. Wickremasinghe chaired the Nomination Committee until his resignation on 30th November 2022 and Mr. R.N. Asirwatham who served as a member of the Committee was appointed as the Chairman of the Committee w.e.f. 23rd March 2023. The Committee is composed of an Independent Non-Executive Director, Non-Independent Non-Executive Director and the Chairman of the Company as at the end of the financial year 2022/2023.

Committee Meetings

The Committee met once during the year under review with the attendance of the Deputy Chairman and Managing Director on invitation.

Responsibilities of the Committee

» Evaluation of the quality and composition of the Boards of Aitken Spence PLC and the subsidiary companies.

The Committee is responsible for ensuring that the Boards of Aitken Spence PLC and its Group companies are well balanced and diversified in terms of effectiveness and composition. Suitable candidates are identified as Directors whilst ensuring that Boards consist of Directors with vast knowledge, experience, competency and entrepreneurial skills to advance the effectiveness of the Boards. The Committee periodically reviews the structure, size and composition of the Boards of the Group Companies.

» Evaluation of the performance of the Board, its committees and individual Directors.

» Review of the Charter for the appointment and the re-appointment of Directors to the Boards of the Group companies and suggest amendments wherever necessary.

Key Functions of the Committee

The Committee reviews and makes recommendations that are fair, free from any bias and not influenced by personal or business relationships, thereby enabling the Company to make sound and measured judgments in order to attract the best talent to the Group. During the financial year 2022/2023 the Committee performed the following functions:

» Ensured the diversity and effectiveness of the Board of Aitken Spence PLC and the Boards of its Group companies as well as the Key Management Personnel (KMPs),

» Reviewed and recommended necessary appointments to the Boards of the Group companies whenever necessary,

» Evaluated and recommended suitable internal and external candidates to higher levels of management,

» Reviewed the Group's policy and guidelines for appointment, re-appointment, re-election, election and succession planning,

» Evaluated the eligibility of the Directors who have offered themselves for re-appointment, re- election and election to the Board as the case may be and made necessary recommendations to the Board,

» Evaluated the combination of varied skills, knowledge and experience of the Directors of the Company and of the Group companies,
» Ascertained that the competencies of Directors are adequate to meet the required strategic demands of the Group.

Re-Appointment, Re-election and Election of Directors

Deshamanya D.H.S. Jayawardena, Mr. R.N. Asirwatham, Mr. J.M.S. Brito, Mr. N.J. de S. Deva Aditya, Mr. C.R. Jansz and Dr. R.M. Fernando who retire from the Board at the conclusion of the forthcoming Annual General Meeting in terms of Section 210 and 211 of the Companies Act No. 7 of 2007, have offered themselves for re-appointment.

In terms of Article 83 and 84 of the Articles of Association, Mr. C.H. Gomez retires by rotation and has offered himself for re-election at the forthcoming Annual General Meeting.

In terms of Article 90 of the Articles of Association, Mr. M.A.N.S. Perera retires and has offered himself for election at the forthcoming Annual General Meeting.

Having given due consideration to each Director’s performance, the Committee believes that the said Directors are eligible for re-appointment, re-election and election as the case may be to continue as Directors of the Company.

R.N. Asirwatham
Chairman
Nomination Committee

06th June 2023

Colombo

REMUNERATION COMMITTEE REPORT

"The Remuneration Committee plays a critical role in ensuring that our Company attracts, retains, and motivates the best talent while aligning their interests with those of our stakeholders. As Chairman of the Committee, I am committed to ensuring that the Committee operates with the highest standards of transparency, fairness and accountability and that our compensation practices are consistent with our Company's values, strategy and long-term goals."

R.N. Asirwatham
Chairman

Composition of the Committee

- 👤 **Mr. R.N. Asirwatham** – Chairman
  (Appointed as Chairman of the Committee w.e.f. 23rd March 2023)
- 👤 **Mr. J.M.S. Brito** (Appointed w.e.f. 23rd March 2023)
- 👤 **Mr. C.H. Gomez**
- 👤 **Mr. G.C. Wickremasinghe**
  (Resigned w.e.f. 30th November 2022)

👤 *Independent Non-Executive Director* 👤 *Non-Independent Non-Executive Director*

The Committee's composition complies with the requirements of Section 7.10.5 of the Listing Rules of the Colombo Stock Exchange.

Independence of the Committee

Mr. G.C. Wickremasinghe chaired the Remuneration Committee until his resignation on 30th November 2022 and Mr. R.N. Asirwatham who served as a member of the Committee was appointed as the Chairman of the Committee w.e.f. 23rd March 2023. The Committee is composed of two Independent Non-Executive Directors and a Non-Independent Non-Executive Director as at the end of the financial year 2022/2023. They are independent of management and are completely free from any business, personal or other relationships that may interfere with the exercise of their independence and unbiased judgement. The members of the Committee refrain from taking part in determining their own remuneration.

Committee Meetings

The Committee met once during the year under review. Deshamanya D.H.S. Jayawardena, Group Chairman together with Dr. M.P. Dissanayake, Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director and Mr. S.N. Muttiah, Group Chief Human Resource Officer attended the meeting by invitation.

Remuneration Committee Meeting Attendance

Remuneration Committee Members	Date of Meeting (DD/MM/YYYY) and Attendance 23/07/2022
Mr. R.N. Asirwatham (Appointed as Chairman of the Committee w.e.f. 23rd March 2023)	👤
Mr. J.M.S. Brito (Appointed w.e.f. 23rd March 2023)	N/A
Mr. C.H. Gomez	ex
Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)	📹

👤 - In person participation 📹 - Virtual Participation ex - Excused

The Remuneration Policy

The Group follows a formal and transparent procedure to ascertain the remuneration packages for individual Directors. The Committee considers the importance of formulating remuneration packages that are sufficient to motivate, attract and retain the Directors and considers the employment conditions of the Group Companies and of the relevant industries.

The Group remuneration policy which was reviewed by the Committee remained unchanged during the year under review.

Key Responsibilities of the Committee

The Committee is responsible for determining the remuneration policy of the Directors and the Management Council and determines the overall individual remuneration packages which includes compensation on termination of employment. The Committee also evaluates the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units.

Functions of the Committee

The Committee's decisions were determined based on the following principles and policies:

» Remuneration Policy

- Evaluated the Group Remuneration Policy against the current market trends and industrial norms,
- Reviewed and ensured the implementation of the Group Remuneration Policy,
- Reviewed the policy of the remuneration package of the Directors and the Management Council,
- Reviewed the specific application of the Group Remuneration Policy to the Deputy Chairman and Managing Director and Executive Directors and general application of the Group Remuneration Policy to the Key Management Personnel below the Directorate of the Company.

» Performance Based Remuneration

- Evaluated the performance of the Managing Directors, Executive Directors as well as the individual and collective performance of Directors and Senior Management of the Strategic Business Units,
- Reviewed, monitored and evaluated performance of Key Management Personnel as well as their management development and succession planning.

» Performance Incentives

Evaluated the achievements as well as unaccomplished targets and results which are considered to determine performance-based incentives.

» Remuneration of Deputy Chairman and Managing Director

Evaluated the performance of the Deputy Chairman and Managing Director.

R.N. Asirwatham
Chairman
Remuneration Committee

06th June 2023
Colombo

AUDIT COMMITTEE REPORT

"Amidst the continued challenges faced by the Group due to the dynamic macroeconomic environment in the country affected by inflation, supply chain constraints, the war in Ukraine, COVID-19 pandemic and climate change impacts, the Audit Committee is satisfied that the implementation of Group's internal control framework provide reasonable assurance that the affairs of the Group are managed in a way that the Group assets are properly accounted for and adequately safeguarded."

R.N. Asirwatham
Chairman

Role of the Audit Committee

The Audit Committee represents and assists the Board in fulfilling its responsibility relating to the integrity of the Group's Financial Statements and the financial reporting process, the systems of internal control, compliance with legal and regulatory requirements, risk management practices and the adequacy of external and internal audit with a view to safeguarding the interests of the shareholders and all other stakeholders.

Composition of the Committee

- **Mr. R.N. Asirwatham** – Chairman
- **Mr. J.M.S. Brito**
- **Mr. C.H. Gomez**
- **Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera**
  (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)
- **Mr. G.C. Wickremasinghe**
  (Resigned w.e.f. 30th November 2022)

Independent Non-Executive Director *Non-Independent Non-Executive Director*

The Committee's composition met the requirements of Section 7.10.6 (a) of the Listing Rules of the Colombo Stock Exchange.

Secretary to the Committee *:*
Mr. D.D.M.A. Saparamadu – Assistant Vice President, Group Internal Audit, Aitken Spence PLC

The Committee is composed of three Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Committee is chaired by an Independent Non-Executive Director who is a fellow of the Institute of Chartered Accountants of Sri Lanka. The profiles of the members are given on pages 56 to 60 of this Annual Report.

Committee Meetings

The Audit Committee functioned throughout the financial year and held twelve meetings in semi virtual mode. Dr. M.P. Dissanayake, the Deputy Chairman and Managing Director, Ms. D.S.T. Jayawardena, Executive Director, Ms. N. Sivapragasam, Chief Financial Officer attended the meetings by invitation. Further, Senior Officers of the Group as well as the Partner of Messrs. KPMG, Chartered Accountants responsible for the Group's external audit attended the meetings by invitation as and when required. The attendance at the Audit Committee meetings held during the year under review were as follows:

Audit Committee Meeting Attendance

Audit Committee Members	Date of Meeting (DD/MM/YYYY) and Attendance												
	27/04/2022	19/05/2022	22/06/2022	27/07/2022	19/08/2022	21/09/2022	02/11/2022	06/12/2022	07/02/2023	15/02/2023	13/03/2023	28/03/2023	Overall Attendance
Mr. R.N. Asirwatham - Chairman	📹	👤	👤	👤	👤	👤	👤	👤	👤	👤	👤	👤	12/12
Mr. J.M.S. Brito	📹	ex	📹	📹	📹	📹	ex	📹	👤	📹	👤	👤	10/12
Mr. C.H. Gomez	ex	ex	ex	📹	📹	📹	ex	ex	📹	📹	ex	ex	5/12
Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)	📹	📹	📹	ex	ex	ex	ex	ex	📹	📹	📹	📹	7/12
Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)	📹	📹	📹	ex	📹	📹	📹	N/A	N/A	N/A	N/A	N/A	6/7

👤 - In person participation 📹 - Virtual Participation ex - Excused

Activities During the Financial Year 2022/2023

» Risk Management and Internal Control

- Assisted the Board in its responsibilities with regard to the assessment of the principal and emerging risks faced by the Group.
- Monitored the Group's risk management and internal control processes including a review of their effectiveness.
- Ensured that the Group adheres to and complies with all relevant laws, rules and regulations of the country, international laws and codes of ethics and standards of conduct required by regulatory authorities, professional bodies and trade associations.

» Financial Reporting and Financial Control

- Monitored the integrity of the Group's Financial Statements, including reviewing of significant financial reporting judgements contained therein.
- Reviewed the quarterly and annual reports while considering the appropriateness of accounting policies and practices.
- Advised the Board on whether the quarterly and annual reports are fair, balanced and understandable.
- Discussed with the management on future accounting developments which are likely to affect the Financial Statements.
- Reviewed the budgets and strategic plans of the Group in order to ensure that all forward-looking statements made within the Annual Report reflect the actual position of the Group.
- Discussed with the management the key tax risks stemming from the evolving tax landscape.
- Reviewed and discussed with the management the appropriateness of judgements involving the application of accounting principles and disclosure requirements.

» External Audit

- Reviewed and monitored the relationship with the External Auditors including overseeing their appointment, independence, remuneration, tenure, rotation of the engagement partner and engagement for non-audit services.
- Assessed the effectiveness and the progress of the External Auditors and the audit process.
- Discussed the audited Financial Statements with External Auditors and ensured that they were in conformity with the Sri Lanka Accounting Standards and other regulatory requirements.
- Reviewed and discussed the Management Letter and instructed the management to take appropriate follow up action on matters highlighted therein.

» Internal Audit

- Reviewed and approved the Annual Audit Plan after considering its depth and coverage in the Group.
- Reviewed the operation and effectiveness of the Group internal audit function in terms of its independence, effectiveness and competency.
- Continued to ensure the coordination between Group Internal Audit and External Auditors.
- Reviewed and discussed the periodic reports submitted by the Internal Audit Department with the management responses on financial and operational audits, information security and risk assessments carried out in line with approved Annual Audit Plan.

AUDIT COMMITTEE REPORT

» **Reporting**

- The Chairman of the Audit Committee reports to the Board at each meeting on the activities of the Committee. Minutes of the Audit Committee meetings are also tabled at the Board Meetings.
- The Annual Report incorporates the Audit Committee Report.
- The Chairman of the Audit Committee attends the Annual General Meeting.

Conduct, Ethics and Good Governance

The Audit Committee remains steadfast in its commitment to ensuring that the Group adheres to the highest ethical standards in business dealings. In this regard, the Group has a Code of Ethics and Professional Conduct, robust policies such as the Whistleblowing Policy and an Anti-Bribery and Anti-Corruption Policy which ensure and encourage all staff members to be ethical, transparent and accountable and resort to whistleblowing if they suspect any wrongdoings or other improprieties. Highest standards of corporate governance and adherence to the Group's Code of Ethics and Professional Conduct were ensured. All appropriate procedures are in place to conduct independent investigations into incidents reported through whistleblowing or identified through other means. The Whistleblowing Policy guarantees the maintenance of strict confidentiality of the identity of the whistleblowers.

Re-Appointment of External Auditors – Messrs. KPMG, Chartered Accountants

The Committee perused transactions with the External Auditors and ensured that there was no significant material transaction between the External Auditors and the companies in the Group. The Committee further perused the share register and ensured that there were no shares held by the External Auditors.

The Committee having considered that there were no significant material transactions between the External Auditors and the Group companies, that there were no shares held by the External Auditors, the confirmation received from the External Auditors and the periodic rotation of the Audit Partner, noted that KPMG, Chartered Accountants are independent and are eligible for re-appointment as the External Auditors of the Group.

Having noted the above, the Committee recommends to the Board that Messrs. KPMG, Chartered Accountants be re-appointed as the External Auditors of the Company for the current financial year, subject to the approval of the Shareholders at the forthcoming Annual General Meeting.

The Year Ahead

Looking ahead to the financial year 2023/2024, the Committee's key priorities will include overseeing of the Group's risk management and internal control processes, sustaining a strong culture of risk management across the Group, continuing to monitor the impacts of climate change and taking a proactive approach in anticipating and preparing for any legislative or regulatory changes.

R.N. Asirwatham
Chairman
Audit Committee

06th June 2023
Colombo

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

"Our Related Party Transactions Review Committee is fully dedicated to upholding its responsibilities of reviewing Related Party Transactions in a fair and transparent manner and in the best interests of the Company and its stakeholders. Our unwavering commitment to corporate governance and transparency helps to build trust and confidence among all our stakeholders."

R.N. Asirwatham
Chairman

Role of the Related Party Transactions Review Committee

The role of the Related Party Transactions Review Committee is to advise the Board in relation to transactions with related parties as defined by Sri Lanka Accounting Standard - LKAS 24 and Listing Rules of the Colombo Stock Exchange. The Committee complies with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka, which was subsequently incorporated into the Listing Rules of the Colombo Stock Exchange in an endeavour to ensure that the interests of shareholders as a whole are taken into account by the Company when entering into Related Party Transactions.

Composition of the Committee

- **Mr. R.N. Asirwatham** – Chairman
- **Mr. J.M.S. Brito**
- **Mr. C.H. Gomez**
- **Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera**
  (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)
- **Mr. G.C. Wickremasinghe**
  (Resigned w.e.f. 30th November 2022)

Independent Non-Executive Director *Non-Independent Non-Executive Director*

The Committee's composition complies with the requirements of Section 9.2.2 of the Listing Rules of the Colombo Stock Exchange.

The Committee is composed of three Independent Non-Executive Directors and a Non-Independent Non-Executive Director as at the end of the financial year 2022/2023 and is chaired by an Independent Non-Executive Director. Members of the Committee possess a wealth of knowledge and experience.

Related Party Transactions Review Committee Meeting Attendance

Related Party Transactions Review Committee Members	Date of Meeting (DD/MM/YYYY) and Attendance				
	23/06/2022	21/09/2022	06/12/2022	28/03/2023	Overall Attendance
Mr. R.N. Asirwatham - Chairman	In person	In person	In person	In person	4/4
Mr. J.M.S. Brito	Virtual	Virtual	Virtual	In person	4/4
Mr. C.H. Gomez	ex	Virtual	ex	ex	1/4
Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)	Virtual	ex	ex	Virtual	2/4
Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)	Virtual	Virtual	N/A	N/A	2/2

- In person participation - Virtual Participation ex - Excused

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Key Highlights during the Financial Year 2022/2023

Each quarter, disclosures were obtained from the Key Management Personnel and the Group related companies in relation to proposed related party transactions and post quarter confirmations and the Committee reviewed all such disclosures at its quarterly meetings. The Committee further communicated its activities to the Board by tabling the minutes of the Committee meetings, at the Board meetings. The Committee at its first meeting of the financial year, fixed the thresholds for Related Party Transactions which require either shareholders' approval or immediate market disclosures, as the case may be for the financial year 2022/2023 based on the Audited Financial Statements of the previous financial year.

Responsibilities of the Committee

The Committee's key focus is to review all proposed Related Party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange. The responsibilities of the Committee are as follows:

» Evaluate any proposed Related Party Transactions on a quarterly basis and recommend to the management and the Board, the appropriate course of action to be taken in order to be compliant with the regulations of the Listing Rules of the Colombo Stock Exchange,

» Review any post quarter confirmations on Related Party Transactions,

» Review the threshold for Related Party Transactions which require either shareholders' approval or immediate market disclosures, as the case may be,

» Review the criteria of Key Management Personnel,

» Regularly report to the Board on the Committee's activities.

Key Management Personnel

The Board of Directors of the Company, Directors, Vice Presidents and Assistant Vice Presidents of Subsidiary companies are construed as the Key Management Personnel of Aitken Spence to establish greater transparency and governance. Declarations from Key Management Personnel and from the Group companies are obtained quarterly for the purpose of identifying Related Party Transactions and to determine Related Party Transactions which ensures the compliance with the disclosure requirements of the Listing Rules.

Key Functions of the Committee

» Policies and Procedures Adopted:

- The Group Company Secretaries obtain quarterly disclosures from the Key Management Personnel of any proposed Related Party Transactions and confirmations of any post-quarter transactions. All such disclosures are tabled at each Related Party Transactions Review Committee meeting,
- Disclosures are obtained quarterly from all Group companies of any proposed Related Party Transactions and confirmations of any post-quarter transactions and all disclosures are tabled at each Related Party Transactions Review Committee Meeting,
- Non-recurrent Related Party Transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Group as per the Audited Financial Statements of the previous year, if any, are communicated to the Group Company Secretaries who in turn notify the Committee, if required,
- Recurrent Related Party Transactions exceeding 10% of the gross revenue of the Group as per the Audited Financial Statements of the previous year, if any, are communicated to the Group Company Secretaries who in turn notify the Committee, if required.

» Review of Related Party Transactions:

- Reviewed all proposed Related Party Transactions as well as post quarter confirmations,
- Activities of the Committee were communicated to the Board by tabling the minutes of the Related Party Transactions Review Committee Meetings,
- Reviewed thresholds for Related Party Transactions which require either shareholders' approval or immediate market disclosure based on the Financial Statements for the year ended 31st March 2022.

Declaration by the Board

The Annual Report of the Board of Directors embodies a declaration confirming the compliance with the requirements stipulated in Section 9.3.2(d) of the Listing Rules of the Colombo Stock Exchange.

R.N. Asirwatham
Chairman
Related Party Transactions Review Committee

06th June 2023
Colombo

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Board of Directors present this Statement on Internal Control in accordance with principle D.1.5. of the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.

Responsibility

The Board of Directors of Aitken Spence PLC acknowledge its responsibility for the adequacy and effectiveness of Group's system of internal controls to safeguard shareholders' investment and Group's assets.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of internal controls as and when there are changes to the business environment or regulatory guidelines.

The Board is of the view that the systems of internal control over financial reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The Board has delegated specific responsibilities to the following four subcommittees:

- Audit Committee
- Related Party Transactions Review Committee
- Remuneration Committee
- Nomination Committee

These Committees are chaired by Independent Non-Executive Directors and have the authority to examine particular issues and report back to the Board with their recommendations.

Internal Audit

The Internal Audit Department of the Group verifies compliance of operations with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance.

Audits are carried out on all Strategic Business Units (SBUs), the frequency of which are determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of SBUs. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review at their periodic meetings.

Policies, Procedures and Budgets

Policies and procedures to ensure the compliance with internal controls and relevant laws and regulations are set out in operations manuals, which are updated from time to time.

Annual budgets are approved by the respective Boards and the subsidiaries' performance are assessed against the budgets and explanations are provided for significant variances periodically to the respective Boards.

Insurance and Physical Safeguards

Adequate insurance and physical safeguards on major assets are in place to ensure Group assets are sufficiently covered to minimise material loss against any adverse unforeseen events.

Whistleblowing Policy

The Group encourages a whistleblowing policy which enables employees to bring irregularities in financial reporting, internal controls or other matters within the Group to the notice of the higher management.

Proper arrangements are in place to facilitate fair and independent investigation for such matters, if any. The prevalence and effectiveness of this policy is monitored by the Audit Committee from time to time.

The Group Code of Ethics & Professional Conduct

The Group Code of Ethics and Professional Conduct (Code) which includes a strong set of corporate values and conduct, is circulated to Directors and all employees. The Board ensures that Directors and all employees strictly comply with the Code in exercising their duties, communications, role modelling and in any other circumstance, so as to uphold the Group's integrity and image. Strict disciplinary actions are initiated for any violation of the Group Code of Ethics and Professional Conduct.

Cyber Security

The Group has become more technology driven, thus increasing the Group's reliance on cyber connectivity. In this era, securing and protecting the Group's information assets becomes a priority. The Board has taken necessary precautions to minimise the risk of a security breach. During the year under review, necessary steps were rolled out to manage the exposure to cyber-attacks by reducing the threat surface and potentially exploitable vulnerabilities.

Going Concern

The statement of going concern is set out in the Annual Report of the Board of Directors on page 110.

THE BOARD OF DIRECTORS' STATEMENT ON INTERNAL CONTROLS

Risk Management

The Board has set up an ongoing process for identifying, monitoring and managing the principal and emerging risks faced by the Group.

An overview of the Group's risk management framework is set out on pages 91to 97 of this Annual Report.

Annual Report

The Board is responsible for the preparation of the Annual Report and confirm that the quarterly reports, annual financial statements and the annual review of operations of the Group and its equity accounted investees that are incorporated in this Annual Report have been prepared and presented in a reliable manner based on a balanced and comprehensive assessment of the financial performance of the Group.

Confirmation

Based on the above processes, the Board of Aitken Spence PLC confirms that the financial reporting system of the Group has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements.

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

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

R.N. Asirwatham
Chairman
Audit Committee

06th June 2023
Colombo

ANNUAL REPORT OF THE BOARD OF DIRECTORS

1. General

The Board of Directors of Aitken Spence PLC has pleasure in presenting to the Shareholders the Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2023. The details set out herein provide the pertinent information as required under Section 168 of the Companies Act No. 7 of 2007, the Listing Rules of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka and the best accounting practices.

2. Principal Business Activities and the Group Structure

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

The activities of the Group are categorised into four main sectors namely Tourism, Maritime & Freight Logistics, Strategic Investments and Services. Companies within each sector and their principal activities are described on pages 408 to 415 of this Annual Report.

3. Review of Operations

A review of operational and financial performance, strategy of the Group and the future outlook of the Company and the Group are described in greater detail in the Chairman's Message, Deputy Chairman and Managing Director's Message and the Management Discussion and Analysis of this Annual Report.

These reports together with the Audited Financial Statements of the Company and the Group reflect the respective state of affairs of the Company and the Group.

4. Accounting Policies and Changes During the Year

The Company and the Group prepared the Financial Statements in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The Board of Directors wish to confirm that there were no changes to the accounting policies used by the Company and the Group during the year. Accounting policies adopted in the preparation of the Financial Statements of the Company and the Group are given on pages 272 to 278 of this Annual Report.

5. Synopsis of the Income Statement of the Company and the Group

5.1 Group Performance

For the year ended 31st March	Group 2023 Rs. '000	Group 2022 Rs. '000
Net profit/(loss) before tax	11,201,446	14,224,180
Provision for taxation including deferred tax	(3,125,077)	(2,068,363)
Net profit/ (loss) after tax	8,076,369	12,155,817
Other comprehensive income (net of tax)	4,228,823	7,493,815
Total comprehensive income/(loss) for the year	12,305,192	19,649,632
Total comprehensive (income)/loss attributable to the minority shareholders	2,055,196	2,930,303
Total comprehensive income/(loss) attributable to equity shareholders	10,249,996	16,719,329
Transactions directly recognised in the equity statement	194,542	145,369
Balance brought forward from the previous year	65,583,807	47,354,916
Amount available for appropriations	76,028,345	64,219,614
Dividend for 2021/2022 (2020/2021)	(1,623,984)	(405,996)
Total reserves and earnings	72,269,221	63,813,618
Stated Capital	2,135,140	2,135,140
Balance attributable to equity holders of the Company at the end of the period	74,404,361	65,948,758

5.2 Revenue and Profits

Revenue generated by the Company during the year amounted to Rs. 1,142.3 million (2021/2022 – Rs. 753.9 million). The Group revenue was Rs. 98.1 billion (2021/2022 – Rs. 54.7 billion). An analysis of Group revenue based on business and geographical segments is disclosed in Note 6 to the Financial Statements. The profit after tax of the Company was Rs. 3.6 billion (2021/2022- Rs. 7.5 billion). The Group reported a profit after tax of Rs. 8.1 billion (2021/2022- Rs. 12.2 billion). The Group's profit attributable to the equity shareholders of the parent company for the year was Rs. 6.6 billion (2021/2022 – Rs. 10.5 billion). The segmental profits are disclosed in Note 6 to the Financial Statements.

5.3 Donations

During the year donations amounting to Rs. 50,000 (2021/2022 – Rs. 4.1 million) were made by the Company, while the donations made by the other Group entities during the year amounted to Rs. 3.9 million (2021/2022 – Rs. 6.5 million).

5.4 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 provided in Note 12 to the Financial Statements. It is the policy of the Group to provide for deferred taxation on all known timing differences on the liability method. The deferred tax balances of the Group are given in Notes 22 and 32 to the Financial Statements. The deferred tax of the Company and the Group are calculated based on the tax rates that are specified in the Inland Revenue Act No. 24 of 2017 and its amendments thereto.

5.5 Dividends

The Directors recommended a first and final dividend payment of Rs. 4.00 per share for the year ended 31st March 2023. The Directors are satisfied that the Company would meet the solvency test requirement under Section 56 (2) of the Companies Act No. 7 of 2007 immediately after the payment of the first and final dividend.

6. Synopsis of the Statement of Financial Position of the Company and the Group

6.1 Stated Capital and Reserves

As at 31st March 2023, the Company had issued 405,996,045 ordinary shares and the stated capital of the Company was Rs. 2.1 billion. The Company's retained earnings and reserves as at 31st March 2023 were Rs. 25.9 billion (2021/2022 - Rs. 23.9 billion) whereas the total Group's retained earnings and reserves as at 31st March 2023 were Rs. 72.3 billion (2021/2022 - Rs. 63.8 billion). The movement in these reserves is shown in the statement of changes in equity – Company and Consolidated on pages 268 and 266 respectively.

6.2 Property, Plant and Equipment, Investment Property, Intangible Assets, Biological Assets and Right-of-Use Assets

The details of property, plant and equipment, investment properties, intangible assets, biological assets and right-of-use assets of the Company and the Group where applicable, are given in Notes 15 to 19 to the Financial Statements on pages 301 to 314.

Information in respect of extent, location, valuation of land and building held by the Company and Group are detailed in Notes 15.3 and Note 16.3 to the Financial Statements.

6.3 Contingent Liabilities

The details of contingent liabilities are disclosed in Note 39.1 to the Financial Statements.

7. Events Occurring after the Reporting Date

No post balance sheet events of material significance that requires adjustments to the Financial Statements have arisen other than that is disclosed in Note 43 to the Financial Statements.

8. Going Concern

The Directors, after considering the financial position, operating conditions, regulatory and other factors including matters addressed in the Corporate Governance Code, have a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements. Basis of conclusion on the going concern for the Company and the Group is further described in Note 2.9 under Basis of preparation.

9. Information on the Board of Directors and the Board Subcommittees

9.1 Board of Directors

The names of the Directors who held office during the Financial Year 2022/2023 are given below. The brief profiles of the Board of Directors are given on pages 56 to 60 of this Annual Report.

Executive Directors

- Deshamanya D.H.S. Jayawardena - Chairman
- Ms. D.S.T. Jayawardena
- Dr. M.P. Dissanayake - Deputy Chairman and Managing Director
- Dr. R.M. Fernando

Non-Independent Non-Executive Directors

- Mr. J.M.S. Brito
- Mr. C.R. Jansz
  (Appointed w.e.f. 14th February 2023)
- Mr. M.A.N.S. Perera
  (Appointed w.e.f. 25th April 2023)

Independent Non-Executive Directors

- Mr. C.H. Gomez
- Mr. N.J. de S. Deva Aditya
- Mr. R.N. Asirwatham
- Mr. G.C. Wickremasinghe
  (Resigned w.e.f. 30th November 2022)

All of the above Directors held office during the entire year, with the exceptions of Mr. C.R. Jansz and Mr. M.A.N.S. Perera who were appointed as Non-Independent Non-Executive Directors of the Company w.e.f. 14th February 2023 and 25th April 2023 respectively. Mr. G.C. Wickremasinghe resigned from the Board w.e.f. 30th November 2022.

Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023.

The basis on which Directors are classified as Independent Non-Executive Directors is discussed on page 74 of the Corporate Governance Report.

With profound sadness, the Board reports the demise of Mr. G.C. Wickremasinghe on 24th January 2023. Mr. Wickremasinghe served as a main Board Director of Aitken Spence PLC since 1972 and as its Chairman in 1996/97. He served as an Independent Non-Executive Director, Chairman of the Remuneration Committee, Nomination Committee and also as a member of the Audit Committee and Related Party Transactions Review Committee of Aitken Spence PLC prior to his resignation on 30th November 2022.

9.2 Board Subcommittees

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

Audit Committee

» Mr. R.N. Asirwatham – Chairman

» Mr. J.M.S. Brito

» Mr. C.H. Gomez

» Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)

» Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)

Related Party Transactions Review Committee

» Mr. R.N. Asirwatham – Chairman

» Mr. J.M.S. Brito

» Mr. C.H. Gomez

» Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera (Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01st July 2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02nd January 2023)

» Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)

Remuneration Committee

» Mr. R.N. Asirwatham (Appointed as the Chairman of the Committee w.e.f. 23rd March 2023)

» Mr. C.H. Gomez

» Mr. J.M.S. Brito (Appointed w.e.f. 23rd March 2023)

» Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)

Nomination Committee

» Mr. R.N. Asirwatham (Appointed as the Chairman of the Committee w.e.f. 23rd March 2023)

» Deshamanya D.H.S. Jayawardena

» Mr. J.M.S. Brito (Appointed w.e.f. 23rd March 2023)

» Mr. G.C. Wickremasinghe (Resigned w.e.f. 30th November 2022)

9.3 Recommendation for Re-Appointment, Re-election and Election

Upon the recommendation of the Nomination Committee, the Board resolved to recommend that Deshamanya D.H.S. Jayawardena, Mr. R.N. Asirwatham, Mr. J.M.S. Brito, Mr. N.J. de S. Deva Aditya, Mr. C.R. Jansz and Dr. R.M. Fernando who are over 70 years of age and vacate office in terms of Section 210(2) of the Companies Act, be re- appointed as Directors in terms of Section 211 of the Companies Act, specially declaring that the age limit stipulated in Section 210 of the Companies Act shall not apply to the said Directors. Resolutions to this effect will be proposed at the forthcoming Annual General Meeting.

Mr. C.H. Gomez retires by rotation in terms of Article 83 and 84 of the Articles of Association of the Company and being eligible offers himself for re-election and the Board recommended his re-election.

Mr. M.A.N.S. Perera retires in terms of Article 90 of the Articles of Association and offers himself for election at the forthcoming Annual General Meeting and the Board recommended his election.

9.4 Directors' Shareholding

The Directors' shareholdings are provided in the Investor Information section on page 254 of this Annual Report.

9.5 Interest Register

An Interest Register is maintained by the Company as per the Companies Act No. 7 of 2007. Any interests in transactions disclosed to the Board by a Director in accordance with Sections 192 and 200 of the Companies Act No. 7 of 2007 are duly recorded in the Interest Register.

9.6 Directors' Remuneration

The Directors' remuneration and fees in respect of the Company and the Group for the Financial Year ended 31st March 2023 are disclosed in Note 9 of the Financial Statements.

9.7 Related Party Transactions

Related party transactions of the Group are disclosed in Note 40 to the Financial Statements. These are recurrent and non-recurrent related party transactions, which required disclosures in the Annual Report in accordance with the Sri Lanka Accounting Standard No. 24 – Related Party Disclosures. However, there were no recurrent related party transactions which in aggregate value exceeded 10% of the consolidated revenue of the Group as per the Audited Financial Statements as at 31st March 2022.

There were no non-recurrent related party transactions which in aggregate value exceeding lower of 10% of the equity or 5% of the total assets of the Group as per the Audited Financial Statements as at 31st March 2022, which required additional disclosures in the Annual Report under Section 9.3.2(a) of the Listing Rules of the Colombo Stock Exchange.

The Group companies and their key management personnel have disclosed on a quarterly basis, the proposed related party

AITKEN SPENCE PLC

ANNUAL REPORT OF THE BOARD OF DIRECTORS

transactions (if any) falling under the ambit of Section 9 of the Listing Rules of the Colombo Stock Exchange. The disclosures so made were tabled at the quarterly meetings of the Related Party Transactions Review Committee, in compliance with the requirements of the above mentioned rule.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2023.

9.8 Subsidiary Board of Directors

The names of Directors of the subsidiaries and joint venture companies who held office as at 31st March 2023 and Directors who ceased to hold office during the accounting period are indicated on pages 408 to 415 of this Annual Report.

10. Human Resources

The human resources strategies applied and practiced by the Group in the regions we operate have translated into the creation of a dynamic and competent human resource team. The strategies adopted in motivating and retaining our employees are discussed in "Human Capital" on pages 204 to 216 of this Annual Report.

11. Governance

The Group has not engaged in any activity which contravenes national and international laws. The Group rigidly adheres to relevant national and international rules, regulations and codes of Professional Institutes and Associations, Industrial Associations, Chambers of Commerce and other regulatory bodies. The Group complies with the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance 2017 issued by the Institute of Chartered Accountants of Sri Lanka. The Group applies very high standards to protect and nurture the environment in which it operates and ensures strict adherence to all environmental laws and practices. The Group's efforts to conserve non-renewable resources, as well as its environmental objectives and key initiatives, are described in the Natural Capital on pages 239 to 248.

The Company has no restrictions with regard to shareholders carrying out appropriate analysis or obtaining independent advice regarding their investment in the Company and has made all endeavours to ensure the equitable treatment to all shareholders. The Company's corporate governance practices are set out on pages 68 to 90 of this Annual Report.

12. Risk Management

The Directors have established and adhered to a comprehensive risk management framework at both Strategic Business Units and Group levels to ensure the achievement of their corporate objectives. The categories of risks faced by the Group are identified, the significance they pose are evaluated and mitigating strategies are adopted by the Group. The Board of Directors reviews the risk management process through the Audit Committee. The Risk Management Report of the Group is on pages 91 to 97 of this Report.

13. Internal Controls

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

Board of Directors' Statement on Internal Controls on pages 107 and 108, the Statement of Directors' Responsibilities on page 258 and the Audit Committee Report set out on pages 102 to 104 of this Report provide further information in respect of the above.

14. Statutory Payments

The Directors, to the best of their knowledge and belief are satisfied that all statutory financial obligations to the Government and to the employees have been either duly paid or adequately provided in the Financial Statements. A confirmation of same is included in the Statement of Directors' Responsibilities on page 258 of this Annual Report.

15. Integrated Annual Report

The Board of Directors acknowledges its responsibility to ensure the integrity of the Annual Report and to ensure that it provides a balanced view of its performance addressing all material issues that may have an impact on the Group's capacity to create value. The Board is of the opinion that the Integrated Annual Report of Aitken Spence PLC for the Financial Year ended 31st March 2023 is presented in accordance with the GRI Universal Standards for Sustainability Reporting and the Guidelines set out in the International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework.

16. Corporate Sustainability

The Board of Directors guides and supports the Group's integrated sustainability strategy and the implementation of the structured and dynamic sustainability framework by a network of committed members across the Group. The Key Performance Indicators achieved, awards and recognition received during the year are a testament to the Group's commitment as it continues to benchmark its practices against global standards and best practices in a myriad of aspects that affect or potentially affect delivery of growth. More details of the Group's sustainability efforts are included in the Management Discussion and Analysis of this Report.

17. Shareholder Information

There were 4,353 shareholders as at 31st March 2023. The distribution schedule of the number of shareholders and their shareholdings are detailed on pages 252 and 253 of this Annual Report. The names of the twenty largest shareholders together with their shareholdings as at 31st March 2023 are given on page 254 of this Annual Report. The percentage of the shares held by the public as at 31st March 2023 was 47.52% which was in the hands of 4,347 public shareholders.

Information relating to earnings per share and the net assets per share for the Company and Group, the dividend per share and the closing price per share are given on page 251 of this Annual Report.

18. Auditors

The independent Auditors' Report on the Financial Statements is given on pages 259 to 262 of the Annual Report. The retiring Auditors Messrs. KPMG, Chartered Accountants have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting of the Company.

The audit fees payable for the year to the Company Auditors Messrs. KPMG, Chartered Accountants was Rs. 1.9 million (2021/2022 – Rs. 1.7 million). In addition to the above Rs. 3.5 million (2021/2022 – Rs. 2.1 million) was payable by the Company for permitted audit related and non-audit related services. Messrs. KPMG, Chartered Accountants, the Auditors of the Company are also the Auditors of certain subsidiaries, joint ventures and associate companies of the Group. The details of the subsidiaries, joint ventures and associate companies audited by them are included on pages 408 to 415 of this Annual Report.

The amount payable by the Group to Messrs. KPMG, Chartered Accountants as audit fees was Rs. 30.2 million (2021/2022 – Rs.24.8 million) while a further sum of Rs. 11.1 million (2021/2022 – Rs. 11.3 million) was payable for permitted non-audit related services. In addition to the above Rs. 14.5 million (2021/2022 – Rs. 13.4 million) was payable to other auditors for carrying out audits of the subsidiaries conducted by them. The amount payable to such other auditors for permitted audit related services was Rs. 15.0 million (2021/2022 – Rs. 9.9 million). As far as the Directors are aware, the Auditors neither have any other relationship with the Company nor any of its subsidiaries, joint ventures and equity accounted investees that would have an impact on their independence.

19. Annual General Meeting

The Seventy First (71st) Annual General Meeting of the Company will be held at No. 315, Vauxhall Street, Colombo 02 on Friday, 30th June 2023 at 10.00 a.m., as a virtual meeting using a digital platform. The Notice of Meeting of the 71st Annual General Meeting is available on page 421.

By order of the Board of Directors,

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

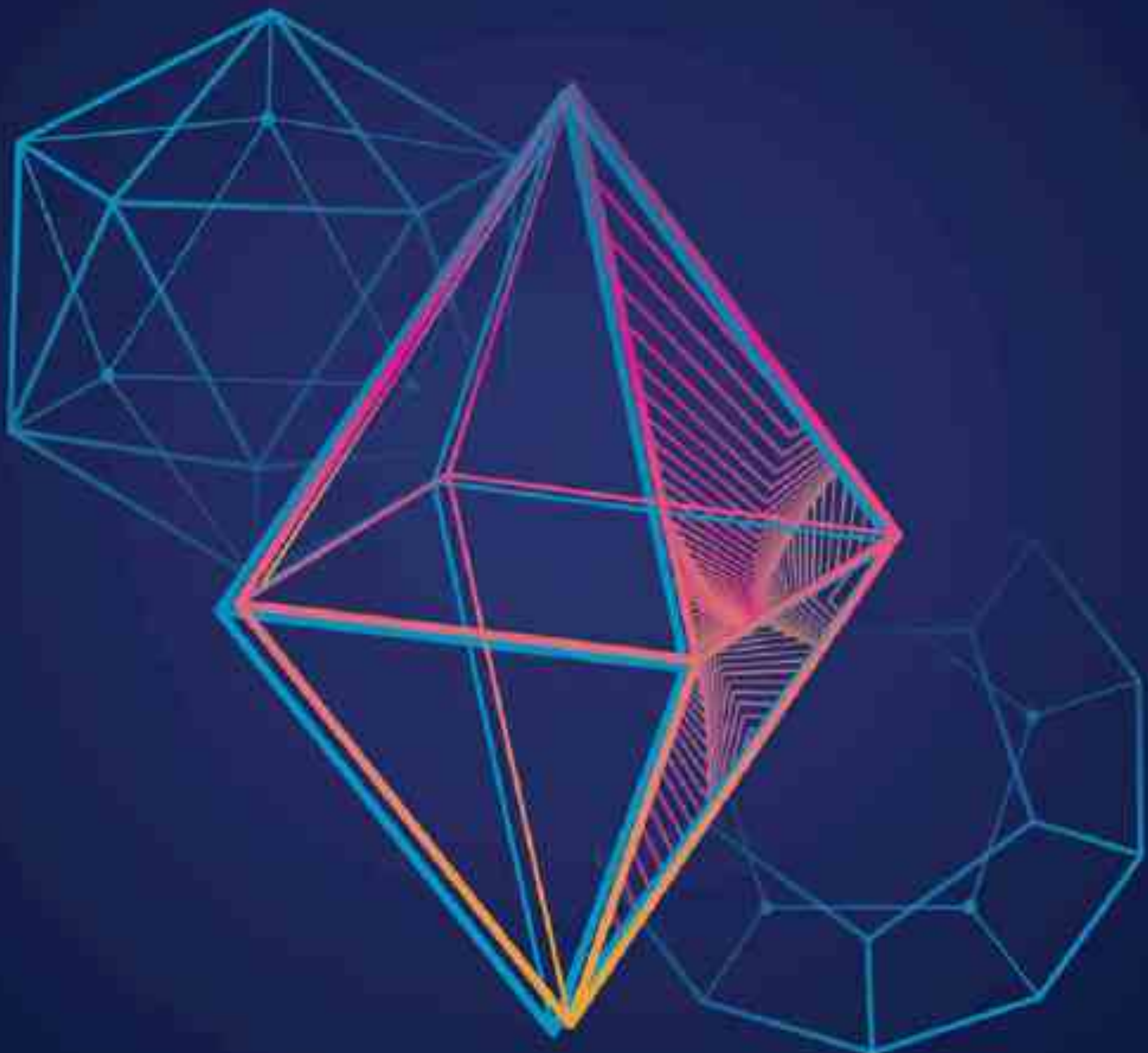
Dr. M.P. Dissanayake
Deputy Chairman and Managing Director

Aitken Spence Corporate Finance (Private) Limited
Company Secretaries

06th June 2023
Colombo

A Trifecta of Value

Nurturing
People | Planet | Profit



Management Discussion & Analysis

SENIOR MANAGEMENT COMMITTEE
- TOURISM SECTOR

In alphabetical order

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

Mr. A.R.C.C. Athapattu
Assistant Vice President
- Hotels Segment

Mr. D.J. De Crusz
Vice President
- Hotels Segment

Ms. L.M. Diaz
Assistant Vice President
- Hotels Segment

Mr. M.C.C.S. Dissanayake
Assistant Vice President
- Maldivian Hotels Segment

Mr. M.D.B.J. Gunatilake
Vice President / Chief Operating Officer
- Maldivian Hotels Segment

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

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

Mr. K.D.D.P. Kumarasinghe
Assistant Vice President
- Hotels Segment

Mr. M. Mahdy
Assistant Vice President
- Maldivian Hotels Segment

Ms. N.M. Pelpola
Assistant Vice President
- Hotels Segment

Mr. R.S. Ratnayake
Vice President / Chief Operating Officer
- Destination Management Segment

Mr. S.N. de Silva
Vice President / Chief Executive Officer
- Oman Hotels Segment

Mr. L.B. Sumanasinghe
Assistant Vice President - Destination Management Segment

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

Mr. K.S. Wijenayake
Assistant Vice President - Destination Management Segment

SENIOR MANAGEMENT COMMITTEE
- MARITIME & FREIGHT LOGISTICS SECTOR

In alphabetical order

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

Mr. M.S. Balasooriya
Assistant Vice President - Freight Segment

Mr. H. Dela Bandara
Vice President / Chief Executive Officer Fiji Port Terminals Ltd

Mr. M.A.M. Isfahan
Vice President - Maritime & Freight Logistics Sector

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

Ms. D.D.T.S. Karunaratne
Assistant Vice President - Maritime & Freight Logistics Sector / Chief Operating Officer - Freight Segment

Mr. B.C. Mack
Assistant Vice President - Maritime Segment

Mr. R.W.M.P.S. Rodrigo
Assistant Vice President - Cargo GSA Segment

Mr. G.R. Seilman
Assistant Vice President - Freight Segment

Mr. T.S. Weerasuriya
Assistant Vice President - Freight Segment

Mr. L.I. Witanachchi
Vice President - Maritime Sector

SENIOR MANAGEMENT COMMITTEE

- STRATEGIC INVESTMENTS SECTOR

In alphabetical order

Mr. P.S. Dissanayake
Assistant Vice President / Chief Operating Officer – Plantations - Engineering, Project Management & Business Strategies

Mr. T.M.S. Fonseka
Assistant Vice President
- Corporate Services

Mr. A.G. Geethkumara
Assistant Vice President / Chief Operating Officer - Plantations – Plantation Operations & Sustainability

Ms. W.K.D.M. Jayalath
Assistant Vice President
- Corporate Services

Ms. R.I.D. Katipearachchi
Vice President / Chief Operating Officer
- Corporate Services

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

Mr. J.A.R. Nissanka
Assistant Vice President / Chief Operating Officer – Plantations - Finance & IT

Mr. N.L.T. Perera
Assistant Vice President
- Corporate Services

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

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

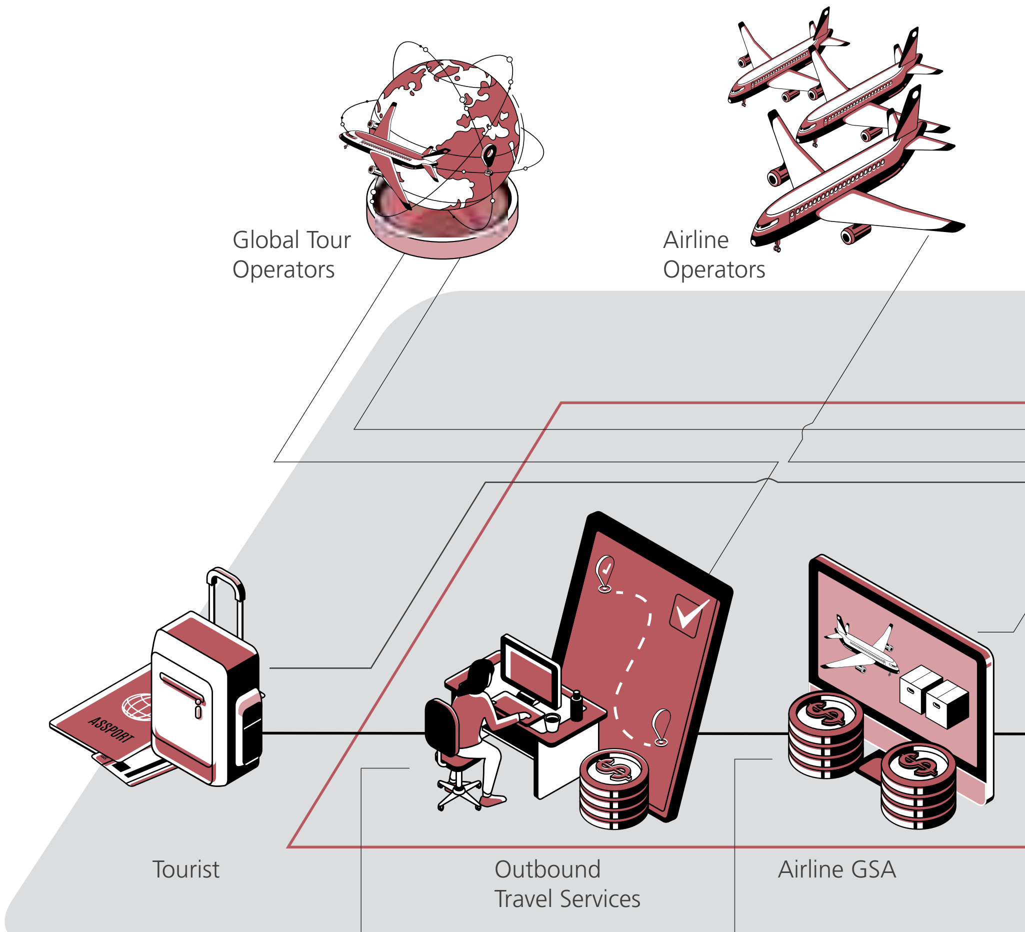
Mr. D.D.M.A. Saparamadu
Assistant Vice President
- Corporate Services

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

TOURISM

Sri Lanka's undisputed leader in the industry, this Sector plays a vital role in promoting Sri Lanka as a destination to revive the country's beleaguered tourism industry. The establishment of a strong presence that links various components of the value chain generates significant synergies and competitive advantages, fueling the growth of diverse segments within the industry. The geographical diversity of the Sector builds resilience against downturns in the country as witnessed in the past few years. However, the Sector is yet to return to its pre-pandemic prosperity levels which is reflected in its performance.

Our presence along the value chain (GRI 2-6)



Destination Management

Aitken Spence Travels is the largest Inbound Tour Operator in the country and represents TUI, the largest tour operator in the world.

Locations of Operation

Sri Lanka, Maldives, Myanmar

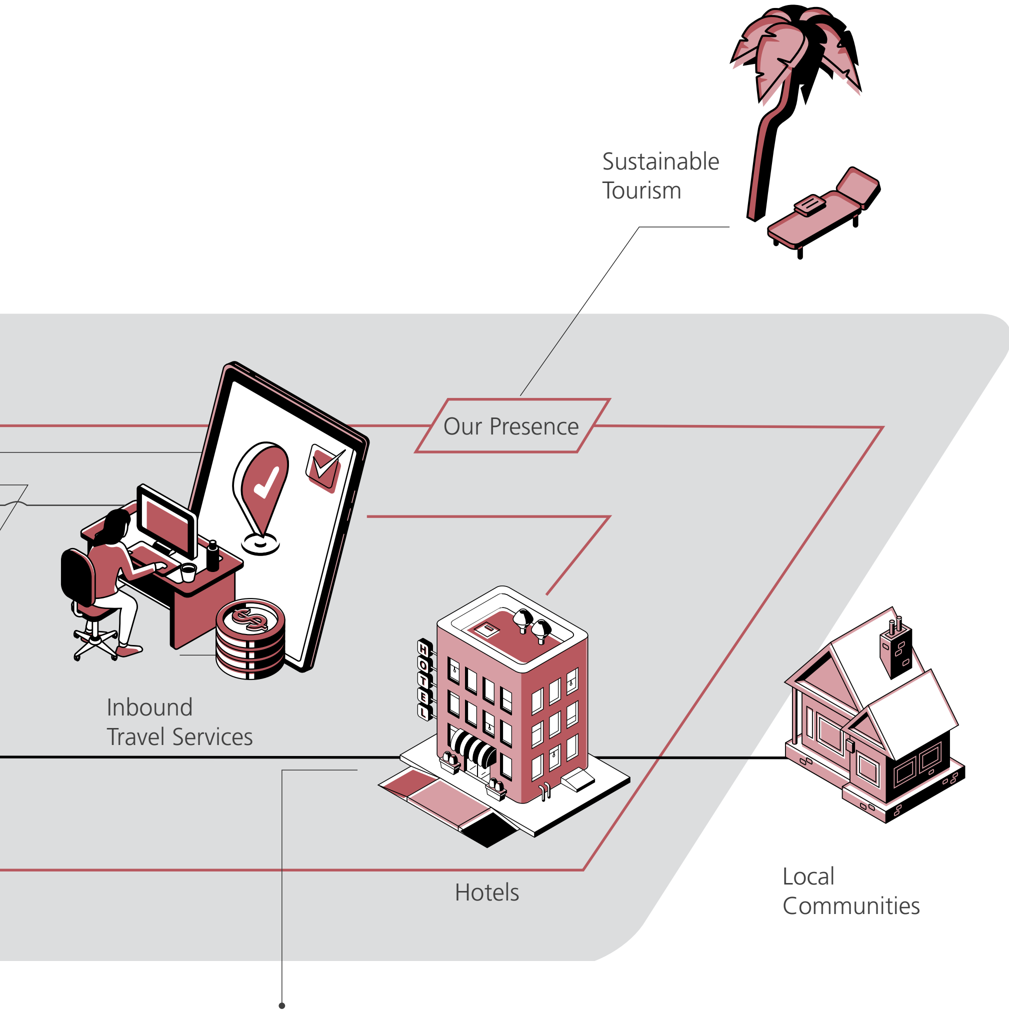
Airline GSA

This segment comprises the representation for Singapore Airlines, Jazeera Airlines in Sri Lanka and Sri Lankan Airlines in the Maldives.

Locations of Operation

Sri Lanka, Maldives

Revenue	EBITDA	Profit Before Tax
Rs. 56.1 Bn	**Rs. 14.2 Bn**	**Rs. 2.3 Bn**



Hotels

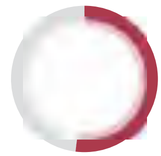
Aitken Spence Hotels segment is among the largest operators in Sri Lanka, with hotels and resorts in three other countries. It is the only company in Sri Lanka with such an extensive presence, that also operates its own hotel school to nurture talent.

Locations of Operation

Sri Lanka, Maldives, Oman, India

Relevance to Group

Revenue

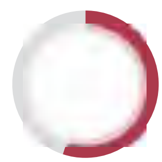


51%

Profit Before Tax

21%

Total Assets



55%

Total Liabilities

62%

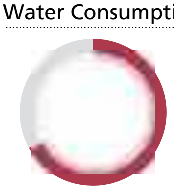
Employees

26%

Emissions, Scope 1&2

42%

Water Consumption



66%

SECTOR REVIEWS
TOURISM

Operating Context

Sri Lanka

Properties: 09

Operations: Hotels, Destination Management and Airlines GSA

Market Overview:

The first half of the year saw travel advisories issued by a number of countries as well as a high level of negative media on the social unrest in Sri Lanka. As a result, tourist arrivals decimated to pandemic levels, undoing months of investments and work to revive this industry that had been dormant. Domestic tourism also declined in the first half due to the fuel shortage in the country, which deterred inland travel. India was the main source market in 2022 with Russia, UK and Germany ranking, thereafter, collectively accounting for 49.3% of total arrivals. Following the gradual economic and social stability achieved by the country, the first four months of 2023 have been encouraging for the industry with it recording 26% increase in arrivals over the corresponding period in 2022 with the same markets in the top four slots although Russia became the largest source market with India a close second.

Sri Lanka has a diverse offering with maritime provinces, the cultural triangle, its hill country with stunning landscapes, spectacular train journeys and adventure tourism, each with its own vibe. The holistic wellness offering is gaining traction leveraging centuries of ayurveda and spiritual journeys. The shortage of imported raw materials in food and beverage has seen much innovation of the culinary offering facilitating a more authentic local food experience. Sri Lanka though having embraced sustainable tourism as a concept, needs greater progress and commitment by regulatory authorities to further unleash its potential.

Maldives

Properties: 05

Operations: Hotels, Destination Management and Airlines GSA Market Overview:

Market Overview:

Tourist arrivals in Maldives increased by 27% in 2022 with the same line up of top generating markets as in Sri Lanka, accounting for 60.7% of tourist arrivals collectively. The country has seen a 57% increase in the number of beds as all categories of beds increased in capacity. It is noteworthy that guest houses which accounted for 17% of bed capacity in 2021 now account for 22.6% reflecting the growth of this category. The share of beds in the resort category declined from 74.2% to 69.5% reflecting the changes in accommodation. Despite the increased capacity, the average occupancy rate improved from 56.1% to 58.9%. The average duration of stay declined from 8.8 days to 8.1 days.

Maldives was able to maintain a healthy growth rate in arrival of 21.4% in the first three months of 2023. Italy has overtaken Germany to become the 4th largest source market for Maldives while Russia, India and UK remain in place as the main markets. The pristine beaches, the charming hospitality and the underwater life of the resorts make this destination an unforgettable haven for connecting with nature.

India

Properties: 01

Operations: Hotels

Market Overview:

India has grown in stature as it became the most populous country and the 5th largest economy. Its leadership of a number of global forums and sustained growth rate makes it an exciting era to be in this market that has re-defined its future as a technology hub.

In 2022, there were 6.5 Mn tourist arrivals, a fourfold increase over 2021 arrivals of 1.5 Mn. The country also has a vibrant domestic tourism industry which accounts for the bulk of activity in this market.

Oman

Properties: 01

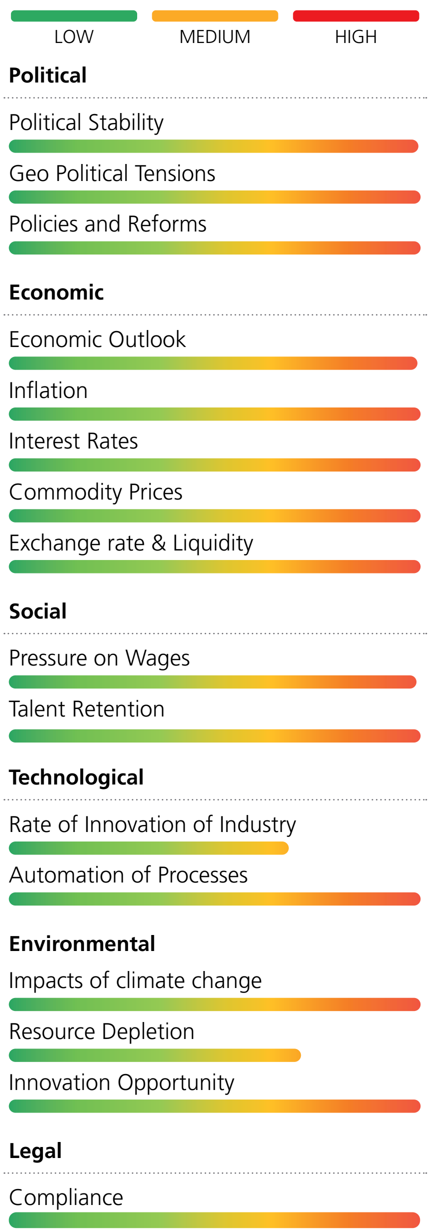
Operations: Hotels

Market Overview:

The tourism sector in Oman is gathering momentum. Its articulated vision of making the tourism industry one of its largest sectors in the economy has seen new players enter the market with a resultant expansion in inventory. Competition has intensified as room capacity has grown at a faster pace than occupancy. It has attracted the high-end chains to the market which has been a disadvantage to the established players.

Oman offers stunning landscapes, warm hospitality and adventure. Its rich cultural heritage and strategic location makes it a unique holiday destination.

Significance of External Factors (PESTEL) on Business Activities



Socioeconomic Impact (GRI 201-1,203-1,2)

83,741
Inbound Tourists

Rs. 14.7 Bn
Facilitation of Foreign Exchange Generation to the country Exchange

Rs. 6.6 Bn
Taxes Paid (Direct & Indirect) to the Governments

3,349
Offered Employment

Delivering Strategy

As in the previous year, the Tourism Sector made a strong recovery in the fourth quarter recording pre-tax earnings of Rs. 2.3 billion with all key segments making a positive contribution. The performance of the fourth quarter was sufficient to wipe out the losses of the previous three quarters reflecting, once again demonstrating the ability of this Sector to bounce back even with a moderately favourable operating environment. Revenue nearly doubled and reflected the highest level of synergies within the Group with the Sector recording an intra-segmental revenue of Rs. 4.3 billion which was an increase 136.5% over the previous year. Despite the troubles in Sri Lanka, the sector recorded healthy growth of EBITDA of 67.6% to Rs.14.2 billion reflecting the efforts in driving a cost-conscious operation in lean times. Finance expenses increased by 154.1% to Rs.6.5 billion compared to Rs.2.5 billion in the previous year, which is largely attributable to the increase in interest rates as the increase in borrowings was a moderate. As a result, the profit before tax amounted to Rs.2.3 billion.

The rise in income tax rates from 14% to 30% during the latter half of the year led to a significant increase in the deferred tax

SECTOR REVIEWS
TOURISM

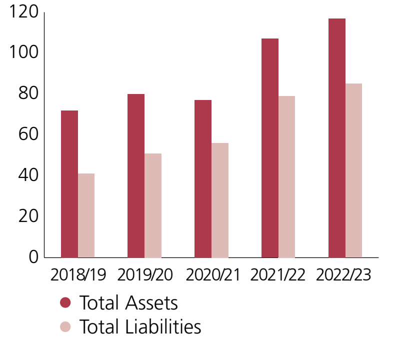
liability as well as an increase in the current income tax expense. As a result, the overall income tax expense was Rs. 1.6 billion for the year. Consequently, Profit after tax declined by 48.8% to Rs.735.4 million, which is a commendable performance given the challenges faced in Sri Lanka and Oman.

Turyaa India turned around for the first time since inception, recording 83% average occupancy as India's tourist arrivals doubled. Competition intensified in the Maldives with both guest houses and large players entering the market. Maldives also faced increased competition from destinations that opened up during the year such as Bali and Thailand. Costs increased significantly as energy prices and inflation spiked during the year. Staff costs also increased in this sector, dampening profitability. Raafushi island was sold as we wished to manage the exposure in the Maldives. Sri Lanka demonstrated encouraging growth in the last quarter but made a loss during the year due to the high inflation, interest rates, energy hikes and wage pressures. The "Dream Again with Us" campaign was launched to further support the revival of this sector amongst a host of other initiatives. Oman also recorded a loss as competition from large chains resulted in increased price competition. The Group's reputation for excellence in food and beverages has supported its popularity among the local clientele.

Aitken Spence Travels accounted for the highest number of tourist arrivals in the country. leading competitors by more than 50%. It has increased its market share of the cruise lines market from 50% prior to the pandemic to 75% in the current financial year. Royal Spence Aviation also increased profitability as did the Airline agency in the Maldives.

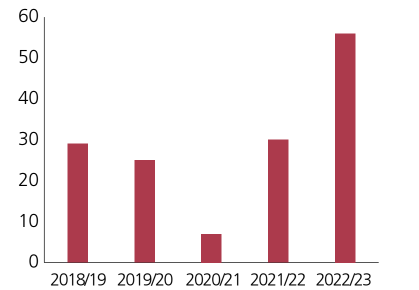
Stability

Rs. Bn

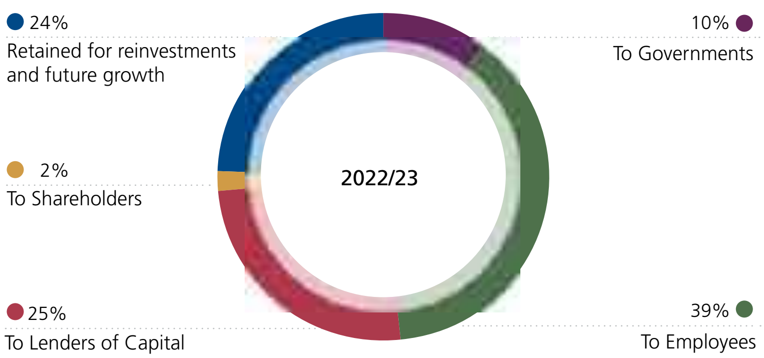


Revenue

Rs. Bn



Value added statement (GRI 201-1)

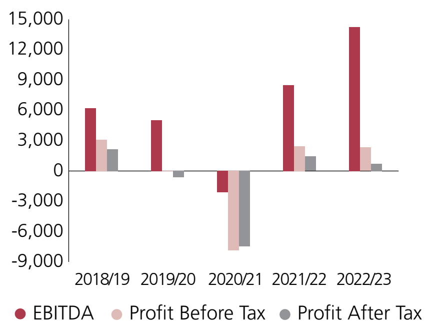


The growth of 65.3% recorded in the profit from operations enabled the Tourism Sector to enhance its value creation for the year to Rs. 24.1 billion. The largest part of this value created amounting to 39% of the total was distributed to the most essential asset had by the Sector being its employee base who are vital for the service excellence achieved by the Sector.

Owing to the capital-intensive nature of the operations and as a significant component of these investments were funded through debt, 25% of the value created by the Sector was distributed to its lenders of capital. The Sector retained approximately 24% of the value created within its business segment to promote future growth and fund its future operations.

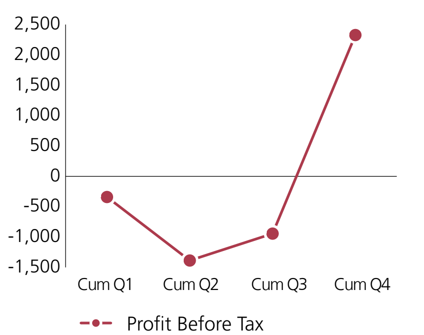
Profitability

Rs. Mn



Performance during the year

Rs. Mn



Value to Stakeholders

912,240
Guest Nights

Rs. 9.3 Bn
Value Created for Employees

Rs. 588.6 Mn
Dividends paid to shareholders

10.9%
of the total tourist arrivals to the country handled by the destination management segment

Rs. 32.2 Bn
Payments to suppliers

Rs. 26.1 Mn
Total funds channelled for community development

Airline GSA operations for Singapore airlines celebrated their 50th anniversary and also managed to increase capacity during the year with more scheduled from October 2023.

Sustainability thrives in this sector which is responsible for initiating many of the best practices within the Group. Sri Lankan hotels re-engineered menus to reflect cuisine made from local ingredients supporting sustainable tourism. The "Travel Kindly" initiative of Aitken Spence Travels continues to increase awareness of sustainability among tourists.

Nurturing Our Capitals

Financial Capital

» The Sector recorded a profit of Rs.735.4 million, contributing positively to the Group's bottom line. Total Assets of the sector increased by 9.7% to Rs.116.9 bn.

Social & Relationship Capital

» Across all four regions of operation, the sector effectively handled 900,000 guest nights, while also facilitating the arrival of 83,741 tourists to Sri Lanka.

Human Capital

» With a boost in tourist activity, the Sector witnessed a team expansion of 59 members. Our efforts included offering 103,603 hours of training, cultivating talent pools for global careers. A substantial investment of Rs. 11.2 Mn was made, ensuring that each employee received more than 31 hours of training.

Natural Capital

» The Sector maintains 43 diverse management systems to ensure environmental sustainability, out of which 15 systems are certified aligned to global benchmarks.

Intellectual Capital

» The Sector operates three brands, Heritance, Adaaran and Turyaa with distinctive value propositions for each brand

Manufactured Capital

» Property plant & equipment increased by 7.8% to Rs.72.9 Bn

SECTOR REVIEWS

TOURISM

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

	2022/23	2021/22	YoY (%)
Revenue (Rs. Mn)	56,145	29,711	89
EBITDA (Rs. Mn)	14,235	8,495	68
Profit before tax (Rs. Mn)	2,327	2,452	(5)
Profit after tax (Rs. Mn)	735	1,436	(49)
Total Assets (Rs. Mn)	116,904	106,554	10
Total Liabilities (Rs. Mn)	85,392	79,079	8
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 8.5, 8.6, 8.9			
Number of Employees	3,349	3,290	2
Employee female representation	13%	13%	-
Employee benefits paid (Rs. Mn)	9,270	5,311	75
Training hours per employee	31	24	29
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5B, 12.b, 8.6, 8.9, 12.2, 12.6, 12.b			
Investment in training (Rs. '000)	11,181	9,835	14
Brand stewardship	6	6	-
Number of Certifications	28	34	(18)
SDGs towards which the Sector's performance contributes:			
Targets: 8.9, 9.1, 12.6, 12.8, 12.b			
Number of airline GSA relationship	5	5	-
Number of joint venture/equity partnerships	7	7	-
Number of suppliers screened on ESG within the year	144	84	71
Total funds channelled for community development (Rs. Mn)	26	5	444
SDGs towards which the Sector's performance contributes:			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 14.1, 14.2			
Total energy consumption (GJ) *(Note: Direct energy consumption for the Sector for 2021/22 has been restated due to recalibration of data)*	390,794	353,148	11
Total energy consumed from renewable sources (GJ)	12,646	6,880	84
Scope 1 emissions (tCO2e) *(Note: Scope 1 emissions for the Sector for 2021/22 has been restated due to recalibration of data)*	21,708	20,600	5
Scope 2 emissions (tCO2e)	17,699	14,099	26
Emissions reduced or offset (tCO2e)	1,229	792	55
Total water withdrawn (m3)	728,845	646,692	13
Total volume of water treated for reuse or safe disposal (m3)	610,206	520,547	17
Total amount of solid waste kept away from landfills			
(Tonnes)	1,207	1,427	(15)
(Units)	0	5,942	(100)
Litres, waste oil)	3,285	3,285	-
Total investment in sustainability driven processes (Rs. Mn)	59	36	65
SDGs towards which the Sector's performance contributes:			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	72,925	67,652	8
Investment in manufactured capital (Rs. Mn)	2,010	771	161
Number of Keys owned and managed	2,633	2,826	(7)

Navigating the Future: Strategic Outlook for Growth

The outlook for the sector is positive despite the moderating economic outlook. Tourist arrivals are expected to increase by 30% although they are unlikely to reach pre-pandemic levels even this year due to the forecast moderation in economic growth. The issues that prevailed during 2022 are expected to continue into 2023 as well. These include rising costs, labour shortages and increasing energy costs which increase the operating expenses.

Hotels

The Hotels sector is positive about the outlook as we seek to revive the industry in Sri Lanka which has 54% of the Group's room inventory. Despite facing margin pressures due to the emergence of new destinations and capacity expansion within the country, Maldives maintains a positive outlook. India demonstrates a positive outlook for both international and domestic tourism. In Oman, there is a preference for international hotel chains, and existing players must revitalise their offerings to stay competitive.

Destination Management

The outlook for destination management is also positive supported by the forecast increase in tourist arrivals. Developing new source markets while holding onto the existing markets will be key to success. As different countries have divergent path of recovery, this becomes a key imperative as affordability of travel will become an increasingly important factor.

Airline GSA

As airlines are expected to become profitable and increase capacity in the year ahead, the outlook for Airlines GSA is positive. There is scope for increasing partnerships and growing existing relationships.

Expansion

Hotels

» Increase occupancy rates
» Targeted marketing
» Continued efforts to exemplify sustainable tourism through architecture and leisure practices that coexist with nature

Destination Management

» Promoting destination 'Sri Lanka' integrating sustainable tourism across all aspects
» Developing new source markets
» Protecting existing source markets

Airline GSA

» Increase seat capacity
» Joint promotions with hotels and destination management
» Core team members sensitised on DRR

Alignment to SDGs (GRI 3-3,203-1)

Quality education

» Training, education and leadership development initiatives enabled to employees

Gender equality

» Employee engagement and strategic interventions across the Sector to promote gender equality as well as diversity, equity, and inclusivity

Decent work and economic growth

» Highest labour standards maintained across the sector
» Management systems maintained to increase resource efficiency and prevent pollution

Industry innovation and infrastructure

» The sector provides crucial infrastructure required for economic growth in the country by connecting the tourism industry in Sri Lanka with global markets while ensuring environmental and social impact control

Responsible consumption and production

» Aligned to the 7R Principles, the Sector works to ensure zero waste dumping to landfills and increase resource efficiency to contribute towards a circular economy

Life under Water (SDG aligned at Sector level)

» 100% wastewater and effluents are treated for reuse or safe disposal
» Coral reef restoration projects maintained by hotels in the Maldives.

Life on land

» Engagement with supply chains for ecosystem and biodiversity conservation
» Strategic interventions to restore and protect habitats and create carbon sinks

Please refer to more details provided in pages 387 to 394 and the overview of the integrated sustainability policy and its alignment to the SDG given in the annexures of this report.

Hotels

Aitken Spence Hotels encompass an extensive and diverse portfolio of hotels and continues to be the largest overseas presence in hotels by a Sri Lankan company. The segment owns 15 properties in South Asia and the Middle East and manages a further 3 properties with a room capacity of 1,411 in Sri Lanka, 735 in the Maldives,140 in India and 341 in Oman. The hotels operate under the well-established brand names of Heritance, Adaaran and Turyaa, offering unparalleled experiences for its guests through its uniquely designed properties. The hotels carry a long-standing reputation for sustainable tourism, excellence in hospitality and service as well as exceptional and award-winning culinary experiences.

Locations

Sri Lanka

9 Properties : 1,411 Keys

Certifications

- 2 ISO 14001 certified hotels
- 3 LEED certified hotels
- 4 ISO 50001 certified hotels
- 5 Travelife Gold certified hotels
- 5 ISO 22000/ HACCP certified hotels

Maldives

5 Properties : 735 Keys

Certifications

- 1 LEED Certified hotel
- 1 Scuba Schools International (SSI) Diamond Status Certified hotel
- 5 ISO 22000/ HACCP certified hotels

India

1 Property : 140 Keys

Oman

03 Properties : 341 Keys

Industry Overview

Global Tourism

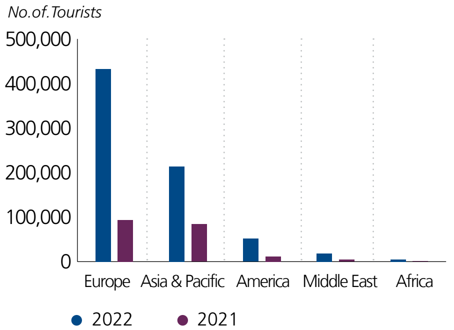
In 2022, global tourism witnessed a significant recovery, with more than 900 million international tourists traveling, marking a 100% increase compared to 2021. This number accounted for approximately 63% of the pre-pandemic travel figures. Looking ahead to 2023, it is projected that international tourist arrivals will range from 80% to 95% of the pre-pandemic levels, depending on factors such as the global economic slowdown and geopolitical tensions.

The Middle East experienced a robust recovery, with tourist arrivals reaching almost 83% of pre-pandemic levels. Conversely, the Asia Pacific region had a slower recovery rate of only 23% due to prolonged travel restrictions and a gradual post-COVID recovery. However, the lifting of travel restrictions in China, which was the largest outbound market before the pandemic, is anticipated to have a significant positive impact on the recovery of tourism in the Asia Pacific region.

Sri Lanka

Despite facing significant challenges such as social tensions, fuel shortages, power outages, and travel advisories, Sri Lanka experienced a steady recovery in tourist arrivals in 2022. This recovery was attributed to several factors including high global vaccination rates and the country's attractive positioning as a

Tourist Arrivals to Sri Lanka by Region



destination. It was also aided by a notable exchange rate depreciation. International arrivals in Sri Lanka demonstrated a strong recovery recording a 270% increase, with numbers rising from 194,495 in 2021 to 719,978 in 2022. This was also 31% of the arrivals pre-2019. The arrivals from the largest source market, Europe, recorded a strong improvement with numbers at 42.5% of pre-pandemic levels attributed to pent-up demand and easing of travel restrictions.

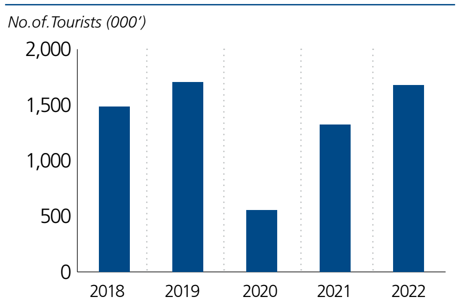
A majority of tourists arrivals from key markets: Poland (92.1%), Russia (69.3%), France (69.3%), Germany (68.8%) India (56%): were for the purpose of leisure. While the total number of rooms have increased from 47,337 in 2021 to 48,120 in 2022, the annual room occupancy rates also recorded an increase from 18.9% in 2021 to 30.4% in 2022. Hence, the revenue earned from tourism increased from USD 506.9 million in 2021 to USD 1,136 million in 2022.

Maldives

Maldives recorded a 26.7% increase in tourist arrivals reaching 1.6 million in 2022 from 1.3 million in 2021. The arrivals between January to March 2023 surpassed the arrivals between January to March 2022 by 21% to stand at 523,928 compared to 431,567 visitors.

There were 1,114 tourist establishments inclusive of resorts, marinas, guesthouses, safari vessels and hotels that were in operation in 2022, an increase from the 780 establishments in operation in 2021. Occupancy rates saw a similar upward trend with an increase of 56.1% in 2021 to 58.9% in 2022. The largest source markets to Maldives continued to be India (19.1%), Russia (15.7%) and the United Kingdom (15.1%).

Tourists Arrival For Maldives



India

Tourism numbers saw a 305% increase in 2022 with arrivals increasing from 1.52 million in 2021 to 6.19 million in 2022.

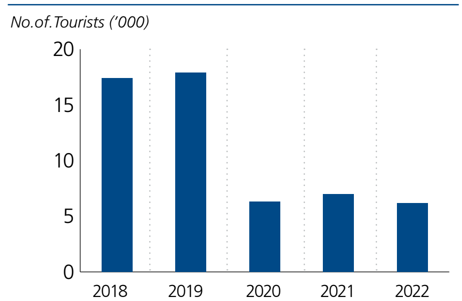
The foreign exchange earnings from tourism also saw an increase of 92.4% up to USD 16.92 million in 2022. The top source markets were the United States of America, Bangladesh, and the United Kingdom.

Oman

Oman recorded a 348% increase in tourist arrivals of 2.9 million in 2022 in comparison to 2021. There was a significant increase in revenue of hotels with 3-5 star ratings of 91.7% as at November 2022 reaching OMR 161.26Mn. Similarly, occupancy rates increased by 18.2% in 2022 with guest numbers in hotels with 3-5 star ratings also increasing by 33.9% from 1.08Mn. guests in 2021 to 1.45Mn. guests in 2022.

Oman is currently ranked seventh in the world as an important tourist destination as per Lonely Planet.

Tourists Arrivals in India



Awards and Achievements

- Aiken Spence Hotels and Resorts proudly represented Heritance Aarah at the esteemed culinary world cup EXPOGAST 2022. Their exceptional team achieved remarkable success, securing a total of 13 medals, including 5 Gold, 4 Silver, and 4 Bronze medals, across 15 categories.
- Adaaran Prestige Vadoo achieved recognition as the Most Outstanding Culinary Organisation of 2022 by Food and Hospitality Asia Maldives (FHAM). They demonstrated exceptional culinary skills at the FHAM International Culinary Challenge Exhibition, earning an impressive 13 gold medals, 6 silver medals, and 9 bronze medals.
- Aitken Spence Maldives resorts excelled at SATA Awards 2022. Adaaran Select Hudhuranfushi won for leading surf hotel, Meedhupparu for diving, Heritance Aarah for all-inclusive and wellness.
- The Intellectual Capital report provides a comprehensive overview of all the awards and recognition earned by the segment.

Delivering Strategy

Sri Lanka

The Sri Lankan hotel segment witnessed a robust 90.0% growth in revenue. However, profitability remained a challenge due to the impact of rising inflation on food and energy costs. Additionally, the segment had to deal with a significant increase in interest rates during the financial year, further exacerbating the profitability challenges. The higher borrowing costs, combined with inflationary pressures on operating expenses, constrained the segment's ability to generate a net profit. The elevated interest rates burdened the financial structure, resulting in decreased margins and reduced profitability. Furthermore, the segment faced operational complexities due to the loss of skilled employees through migration.

To mitigate these risks, the segment prioritised succession planning by providing continuous training, coaching, and cross-exposure in local and foreign properties, as well as job rotation. The introduction of the 'Heritance Rise' programme offered new entrants the opportunity to develop a career path leading to the position of General Manager within 10 years. Encouragingly, efforts were made to increase female participation within the Group, with improvements seen in the intake of females at the segment's hotel school. The segment also emphasised process automation and digital marketing to enhance international promotion of the hotels.

Maldives

Despite the intense competition from other tourism destinations such as Thailand, Bali and Philippines the hotels recorded a revenue growth against the previous financial period of 83.3% with a profit before tax growth of 30.6%. There was a substantial increase in energy and fuel costs as well as freight costs, which propelled overall costs upwards. Additionally, the hotel sector faced a 40% increase in payroll expenses due to the implementation of a minimum wage policy within the country. Interest costs also saw an increase as LIBOR rates increased although there was a substantial exchange gain during 2022. As a result, overhead costs increased by 25% during the period. The impact of these factors resulted in a decline in profitability in US dollars compared to the previous period. Cashflow and liquidity were affected as the 4 year moratorium period came to an end. In an effort to minimise investment exposure in the Maldives, the segment divested the Raafushi property. The segment focused on more experience based tourist excursions and activities by engaging industry experts.

India

Turyaa Chennai underwent a noteworthy turnaround, reflecting the resurgence of the Indian economy, as it achieved profitability for the first time. The company witnessed a substantial surge in revenue, highlighting significant growth in its financial performance. Additionally, there was notable growth in pre-tax profits, further solidifying the company's market position. The property experienced an impressive increase in Average Daily Rate (ADR) compared to pre-pandemic levels, underscoring its robust recovery and sustained expansion.

During this period, the company reported an occupancy of over 42,000 room nights, marking it a 20% growth over pre-pandemic levels, with an average occupancy rate of over 80%. The company's increased focus on digital marketing and enhancing its online presence proved fruitful, as sales through digital platforms doubled during this period. Moreover, the introduction of a new revenue management and pricing model by the hotel contributed to its overall success and growth.

Oman

The revenue of Al Falaj hotel increased during the year, however, the increase in room revenue grew at a lower rate due to the excess of hotel room inventory in the country as competition from new entrants reduced room rates drastically. Nevertheless, the hotel properties including the managed properties operated at a 43% occupancy since the pandemic and room night rates increased by 24% during the period. There was an increase in overhead costs at the same time stemming from hikes in payroll related costs due to the labour intensive nature of operations. The revenue from F&B operations increased by 15% as the footfall after the pandemic gained momentum. The segment commenced on the refurbishment of the Al Falaj property which is expected to be completed in 2023 as a part of an effort to meet customer expectations and in turn increase revenue. Nevertheless, the financial cost experienced a substantial increase due to higher borrowing costs on both existing loans and the new loan obtained to finance the refurbishment.

Challenges and Risks

Sri Lanka

The volatility of the tourism industry was further exacerbated by the economic and political instability making recovery a slow process. The migration of talented employees and the resultant replacement with new employees have been challenging. The industry also experienced substantial hikes in inflation and costs along with power, fuel, and gas scarcities. Finance costs saw an increase due to the increase in the interest rates and an increase in borrowings resulting from the capitalisation of interest during the loan moratorium period. Within the industry, there exists the risk of rising energy, finance, and food costs, which is further compounded by the potential restrictions on imported food items.

Maldives

The easing of travel restrictions globally increased the competition from cheaper travel destinations such as Thailand and Indonesia. The ongoing issues in key source markets have been a challenge as arrivals from China have not resumed to its pre-pandemic numbers, whilst the conflict between Russia and Ukraine also continues to have an impact.

India

Throughout the year under review, the hotel industry encountered difficulties due to the increase in energy costs and interest rates. The ongoing challenge lies in anticipating and adapting to the evolving demands of post-pandemic consumers. Furthermore, the industry faced substantial obstacles such as high staff turnover and a shortage of trained personnel. Additionally, the industry remains vulnerable to global inflation and a lack of consumer confidence, which pose as risk factors.

Oman

The Government's initiative in promoting tourism has increased investments in new hotel chains which has driven down room rates, despite increase in operational costs post pandemic. The country has a high electricity tariff which makes off season sustenance a challenge. The high taxes on beverages has restricted tourist spending which is a key income earner in other segments. The continuation of the Russia-Ukraine tensions carry the risk of rising operating expenses along with increasing cost of funds due to the appreciation of the US dollar and high interest rates.

Key Initiatives Implemented

Sri Lanka

- 'Dream again with us' campaign for the local and international market following the economic conflict to encourage travel
- Affiliating with Wellness Ceylon to expand the reach within the UK senior citizen's market
- Promotions through social media influencers: Alexina Anatole, BBC Masterchef Tony Filoni, Youtuber Mark Chirstopher, Harrods Magazine, architect Anjalendran, Local influencers Sushmita Wijeratne and Shiny Nethikumara

Maldives

- Employee empowerment programmes: Outbound training for 230 employees, extensive 10 day certification programme for butlers, Essence of Mixology programme for food and beverage associates, wine training in partnership with MMI Wirainer covering 71 associates
- Fancy a Cuppa - Stassen Tea training and competition for 108 associates.
- International Women's Day 2023 programme for 42 female associates on "Significance of mental health and well-being of women."
- Hackathon Project which led to the development on two apps: Duty Manager Application and Disclaimer App.

India

- Turyaa(Chennai) organised a beach cleaning event in Chennai involving hotel staff, NCCR volunteers, and the public. They collected 80kg of waste in 90 minutes to promote sustainable tourism and cleaner beaches
- Turyaa(Chennai) implemented water recycling and reuse methods for gardening and cooling towers, significantly reducing water consumption.

Oman

- Delved into the realm of large-scale outdoor catering activities and accomplished a commendable level of success.
- Al Falaj Hotel accomplished the remarkable feat of creating the tallest Christmas tree in Muscat, showcasing their steadfast commitment to sustainability initiatives by constructing it entirely from recycled materials such as cans and bottles.
- Launched a kebab restaurant in the 'Autobahn' night club

11,647 GJ
of Energy from renewable sources

Water bottling plant at Adaaran Maldives eliminates the use of over 300,000 single use plastic bottles per year from each property

More than 20 types of waste streams are managed across the hotels, in accordance with the 7R principle, as part of the company's commitment to achieving zero waste to landfill

Coral reef restoration programmes to protect and conserve marine bio diversity in the Maldives

100% of wastewater is treated for safe re use or disposal

Over 2,998 employees from over 20 diverse nationalities

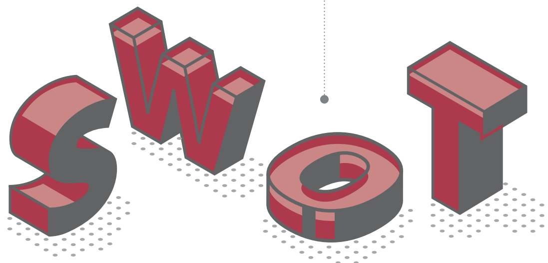
SECTOR REVIEWS
TOURISM

WEAKNESSES

» Constantly evolving market
» Labour-intensive industry
» Need for constant refurbishment and maintenance of properties
» High dependence on employee skills and interactions
» Shortage of workers due to migration

STRENGTHS

» Strategic locations of hotels
» Experienced and skilled teams
» Unique hotel architecture
» Group synergies and strong brand
» Diversified hotel and destination experiences



OPPORTUNITIES

» Easing of travel restrictions in China and Far East
» Growing regional tourism
» Promotion of tourism by respective Governments
» Good airline connectivity to destinations
» Traveller preference for reputed hotel chains

THREATS

» Increasing competition
» Risk of geopolitical instability
» Impacts of climate change
» Capital intensive industry and impact of increasing finance costs
» Increasing cost of airfares

Navigating the Future: Strategic Outlook for Growth

Overall, the outlook for the industry is positive although there are concerns regarding the impact of persistent inflation and moderating global economic outlook. The hotel segment will focus on strengthening its business strategy with a greater emphasis on its branding.

Sri Lanka

The hotels in Sri Lanka will continue to leverage on its Group synergies and secure visitors from India, Eastern Europe, Australia, Middle East and well as China in the short term. The resurgence of European tourist is expected to be slow until winter 2023 due to the recession and depreciation of the Euro against the USD. As airline capacity improves and seasonal tourism trends undergo changes, the industry is projected to experience growth by the end of 2023. Interestingly, the effect of post pandemic changes has seen an increase in remote working tourists leveraging on hybrid work models. The hotels will continue to cater to this segment through long-stay packages, reliable internet facilities and designated workspaces. The industry is witnessing a noticeable increase in the trend of online bookings, although the uncertainties experienced in recent years have also contributed to the continued reliance on tour operators and agents. Hotels will persist in utilising these channels to facilitate bookings and ensure operational stability. The retention of skilled employees will be a key concern as would the management of expenses and retaining liquidity amidst the continuous requirement for refurbishment. The segment will continue to prioritise environmental conscientiousness and sustainability as a part of its daily operations.

Maldives

The hotel industry in Maldives is poised for growth with the easing of travel restrictions in China. Addressing infrastructure challenges, particularly the capacity of the airport, is crucial to minimise airline waiting times. The increase in the number of tourist accommodations may prove to be a challenge along with the competition from cheaper tourist destinations which need to be addressed with more sustainable and unique experiences. Additionally, this will hamper the ability to increase rates to counteract the cost hikes and minimum wage increases. The hotels will continue to set higher benchmarks in attaining world-renowned accolades and obtaining global standards such as the LQA (Leading Quality Assurance) standard. Improving guest experiences will continue as a key priority as the hotels continue the digitisation processes and conduct regular training and development of team members.

India

The segment sees potential for further growth in the hotel industry against the backdrop of the positive economic outlook in India, particularly in Chennai. The segment will focus on building a diverse and skilled team through continuous training and development.

Oman

The tourism development plan "Oman Vision 2040" will continue to promote tourism in the country, with an investment if USD 51 billion in an attempt to diversify from oil related activities and is expected to provide further growth opportunities for the hotel sector. At the same time, there is an expectation of large corporate entrants into the hotel industry which will drive prices down as competition grows. The refurbishment of Al Falaj Hotel is expected to help the segment maintain its competitiveness and stride alongside market growth in the medium term. The hotel will leverage on its excellent food and beverage offering and develop its catering arm and banquet facilities further with planned investments to upgrade and to re-obtain the 4-star status. A mixed-development project on hotel land is planned to increase the footfall and revenue to the Hotel.

Destination Management

Aitken Spence Travels is Sri Lanka's leading destination management company with 45 years of experience and excellence in the industry. The segment is backed by its longstanding partnership with TUI, the largest integrated travel company in the world, as it continues to provide comprehensive travel services to a global clientele. The tourism sector is continuously adapting and transforming to meet the changing needs of the industry, with a primary focus on providing customer-centric travel experiences that surpass expectations. The sustained growth of this industry relies on the conservation of nature and culture. As a result, the segment places significant importance on sustainable tourism practices that involve local communities and ensure that development does not harm the environment. These areas remain the primary focus. The operations of Aitken Spence Travels currently span across Sri Lanka, Maldives and Myanmar.

Locations

Sri Lanka

Maldives

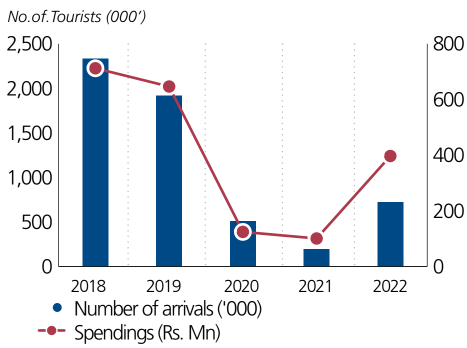
Myanmar

Certified for

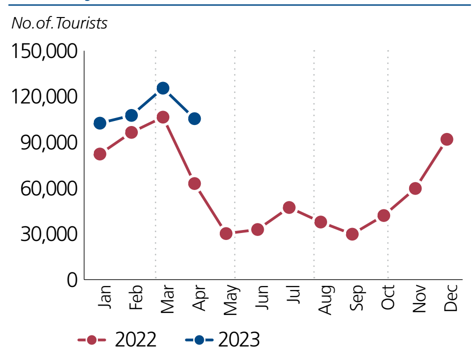
» Travelife
» ISO 9001: 2015
» ISO 14001: 2015
» ISO 45001: 2018

Industry Overview

Tourist Arrivals to Sri Lanka and Spending



Monthly Tourist Arrivals



In 2022, Sri Lanka witnessed a significant surge in international travellers, with a remarkable increase of 270%. The number of visitors rose from 194,495 in 2021 to 719,978, driven by the relaxation of travel restrictions, widespread vaccinations, and increased consumer confidence, particularly in air travel. The country experienced a setback in its fragile recovery during the second and third quarters of 2022 due to political and economic turmoil. However, a return to normalcy led to the resurgence of the tourism sector in the fourth quarter of 2022, which continued into the first quarter of 2023. In 2022, key source markets included India, Russia, and the UK, with Russia surpassing India in 2023. Notably, the first quarter of 2023 saw 335,679 tourist arrivals, which is 17% higher than the total arrivals during the same period in 2022, indicating a significant revival of this crucial sector.

Earnings from tourist spending increased from USD 100 million to USD 362 million between 2021 to 2022, although the average length of stay has reduced from 15.1 to 9.3 nights during the same period.

Airline capacity increased during the year, while there is still room for improvement.

Achievements

Aitken Spence Travels (Pvt) Ltd was recognised as the most sustainable DMC at the "Sustainability Awards 2022," organised by the AHK (Delegation of German Industry and Commerce in Sri Lanka), together with the Friedrich Naumann Foundation in December 2022

Delivering Strategy (GRI 3-3,413-1)

The segment experienced a significant growth in top-line revenue, with an increase of 120.1%, driven by a rise in tourist arrivals, particularly from Russia. Profit before tax also saw a substantial increase of 56.6%. The first half of the year was challenging, with travel advisories deterring tourists and operations being hampered by fuel and power shortages, as well as social unrest. However, the second half of the year witnessed the restoration of order and greater policy stability, leading to the normalisation of economic and leisure activities in the country. The improved management of the economy resulted in the appreciation of the rupee against the dollar in March 2023, which had a negative impact on the segment's operations.

The segment broadened its presence into new markets, with high potential source markets such as Russia, Eastern Europe and CIS areas, and handled 83,741 foreign tourist arrivals during 2022/23. The segment maintained its position as the leading destination management company, accounting for 10.9% of arrivals in the country. Furthermore, the segment saw an increase in local tourist numbers and cruise passengers supported by continuous campaigns, augmented with an increase in outbound tourist numbers despite restrictions on foreign currency. The segment continued to upgrade its digital infrastructure through investments in AI and market specific booking systems.

The segment's focus on sustainability with a comprehensive programme of awareness and support continued during the period. The “Travel Kindly” initiative reviews the sustainability practices of hotels and other key suppliers with a view to promoting responsible practices and greening the tourism supply chains. This year, checklists were developed to evaluate and monitor the sustainability practices of our operation and products. Additionally, we conducted baseline assessments annually to identify gaps, and on-site visits to selected properties and ancillary suppliers. Our criterion includes evaluating aspects such as health and safety, human rights, child labour, sustainable use of resources and service excellence. The segment engages with local communities by involving drivers, guides, and trackers from within the community, which plays a pivotal role in supporting livelihoods and providing economic opportunities to the locals.

Key Initiatives Implemented

Economic

- Accessed new source markets such as Kazakhstan and Bulgaria with charter operations.
- Chartered bi-weekly flights from Uzbekistan and Russia.
- Promoting cruise vacations resulted in more than 12,000 cruise clients visiting Sri Lanka.

Efficiencies

- Investment in market-specific booking systems such as Unihotels that cater specifically to the Russian and CIS market segments.

Employees

- Contribution towards a green workforce through education on the Travelife standard for 100% of the employees and engagement initiatives within the segment.

Environmental and Social

- Cascading the segment’s ESG and sustainability benchmarks within the extended supply chain.
- The Art of Giving to assist the Serupitiya Maha Vidyalaya and the village, with 51children receiving education supplies and dry rations distributed among 157 low income families.

Transforming Lives and uplifting livelihoods of stakeholders

A strategic intervention to support sustainable tourism through engaging supply chain partners and influencing sustainable customer behaviour.

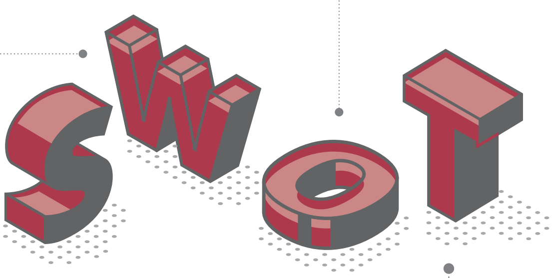
Anagi, the second baby elephant adopted at 'Ath Athuru Sewana', after Bhanu was released back into the wild.

Provided financial assistance for turtle conservation project at Rekawa

Drivers operating safari vehicles in national parks educated year on year on sustainable tourism practices to protect ecosystems and biodiversity

Supporting local communities by including local community members in the supply chain.

200 hand-made reed bags purchased each month from a village as a gift pack for tourists, preserving the traditional crafts



WEAKNESSES

- Highly labour-intensive sector
- Seasonality of demand
- High dependence on employee skills and interactions
- Shortages of workers due to migration

STRENGTHS

- Over four decades of experience
- Joint venture partnerships
- Strong brand name and reputation
- Experienced and multi-lingual employees
- Strong network of guides and chauffeurs
- Wide footprint in the tourism industry: tour operations, cruise and outbound tours, luxury and sports tourism.
- Group synergies

OPPORTUNITIES

- Easing of travel restrictions in China and Far East markets
- Ability to tap into growing markets as air routes open up.
- Regional expansion of UNIHOTEL system
  - Opportunities in untapped eastern European markets, CIS regions

THREATS

- Escalation of the Russian-Ukraine war
- Global economic instability and recession
- Increasing airfares to long haul destinations
- Possible political and economic instability in the country
- Price sensitive industry

Challenges and Risks

The tourism industry encountered significant difficulties throughout the year, including political instability, the implementation of emergency laws, fuel and energy shortages, and negative publicity. These factors led to travel advisories and a decline in tourist arrivals. One of the key challenges faced by the industry as it strives to regain momentum is the migration of skilled and trained employees, as the country struggles to retain talent.

The country's economic and political instability and its impact on traveller confidence remain major concerns as the nation aims to establish a more stable growth trajectory. The moderation of the global economic outlook and the decrease in disposable income among travellers are additional obstacles that are likely to hinder growth.

Navigating the Future: Strategic Outlook for Growth

The tourism sector holds immense potential for growth in the countries where we operate, especially with the lifting of restrictions in China and the Far East. Sri Lanka has regained its position as a popular tourist destination, as recognised by esteemed accolades such as Forbes' list for 2023 and the Condé Nast Traveller Readers' Choice Awards for 2022. Similarly, the Maldives continues to maintain its popularity among travellers.

While airline capacity has improved, there is still a need for further enhancement due to high demand and limited availability, which in turn increases prices. Short-haul travel appears more attractive due to affordability concerns amidst global inflation. Technology will play a pivotal role in engaging customers, attracting them to our offerings, and providing innovative experiences beyond their stay. Advancements in this area have the potential to revolutionise the industry in the future.

The segment will concentrate on expanding its presence in key source markets such as India, Russia, the CIS, and China, with a particular focus on increasing charter flight operations from these regions. Recent expansions in flights and new routes will strengthen this endeavour, further supported by anticipated local economic stability. However, geopolitical tensions in key markets, along with political instability, continue to pose risks to the industry, in addition to its vulnerability to global recessions and decreased consumer spending. Government-led campaigns to support tourism, coupled with marketing efforts by private sector players in the country, are expected to have a positive impact on the industry.

Sustainability will be a significant area of focus, with the segment aiming to increase carbon-free excursion options and reduce overall carbon emissions associated with tourism activities. Furthermore, a 10% increase in combined transfers will be pursued to further minimise carbon emissions. The goal is to fully offset all carbon emissions from transport operations by 2024.

The segment is poised for strong growth in the upcoming year with its reputation for service excellence, global partnerships, and Group synergies.

Airline GSA

The Airlines General Sales (GSA) segment has built a reputation for maintaining global standards and service excellence and is one of the leading GSA representatives for both passenger and cargo movements in Sri Lanka with passenger operations in the Maldives. With a longstanding partnership of over five decades, the segment proudly holds the title of the oldest GSA for the prestigious Singapore Airlines through Aitken Spence Aviation (Pvt) Ltd. This partnership stands as a testament to the segment's professionalism and the quality of service, which has also facilitated growth with other partners. Singapore Airlines flies to Sri Lanka four times per week and recently upgraded the service with the introduction of Boeing B787-10 Dreamliner aircrafts.

Ace Aviation Services (Maldives) (Pvt) Ltd acts as the GSA for Sri Lankan Airlines in the Maldives, where the airline holds a significant share of the outbound market. Sri Lankan Airlines is the exclusive international carrier operating in the Maldives, serving Male and Gan airports with three daily flights on the 'Male - Colombo - Male' route and two weekly flights on the Gan - Colombo - Gan route. Royal Spence Aviation (Pvt) Ltd holds the GSA for Jazeera Airlines in Sri Lanka which flies regularly on the Kuwait – Colombo route.

The segment's significance in the tourism supply chain cannot be overstated. It plays a pivotal role in facilitating the expansion of cargo volumes and seat capacity within the country, thereby making substantial contributions to the overall advancement of the economy.

GSA for Singapore Airlines (SIA) - Cargo and Passenger

GSA for Sri Lankan Airlines in Maldives

GSA for Jazeera Airlines in Sri Lanka

Industry Overview

	2018	2019	2020	2021	2022
Passenger Departures	5,389,082	4,970,184	1,231,939	708,076	2,878,370
Passenger Arrivals	5,409,587	4,930,455	1,140,989	792,002	2,624,169
Aircraft Movements	66,175	60,883	19,442	18,738	35,917
Inbound Cargo(MT)	162,011	151,547	86,327	111,463	103,357
Outbound Cargo(MT)	106,485	94,859	49,766	72,676	63,612

Overall, both passenger departures and arrivals saw an increase over 2021 in 2022 as travel restrictions were lifted in many countries. However, 2022 proved to be a challenging year for airline operations to and from Sri Lanka, as fuel shortages saw airlines reducing seat capacity by 53% during the middle of the year. As per Aviation Worldwide Limited, airline seat capacity to the country declined by 27.6% year on year to 313,358 by June 2022. Whilst the Bandaranaike International Airport has the capacity to hold 7.8 million litres of Jet-A1 fuel and Mattala International Airport has the capacity to hold 3 million litres, the currency crisis led to a severe shortage of jet fuel for airlines, reducing the flights per day at the airports from 90 to 42.

In 2022, there was a decrease in both inbound and outbound cargo movement as many airlines chose to suspend transporting cargo to and from the country. Instead, they opted for "tankering," which involved carrying extra fuel required for return flights. This decision led to a reduction in both payloads and revenue in the cargo sector. Some of the airlines such as Sri Lankan Airlines and Jazeera Airlines opted to refuel at nearby locations such as South India despite the additional costs involved. There was a hike in air ticket prices during the year of between 27% to 40% as the rupee depreciated heavily against the US dollar. The shortage of foreign exchange also led to difficulties for GSA's operating in Sri Lanka to remit funds from sales of airline tickets to principals.

SECTOR REVIEWS

TOURISM

Socioeconomic Impact (GRI 201-1,203-1,2)

Provided emergency lighting and dry goods for children at Lady Ridgeway Hospital

Provided 180 balanced meals through a community kitchen in Colombo

Employees volunteered, supplying shoes and dry rations to meet the needs of residents at the child development center and orphanage.

SIA helped alleviate medicine shortage in Sri Lanka by transporting 600 kg of donated medicines on a complimentary basis, easing the situation at Inginiyagala Divisional Hospital.

Delivering Strategy

Despite the tumultuous year experienced by the industry, the segment was able to record a significant increase in net profit before tax, supported by a growth in revenue, as demand for travel increased along with higher yields.

Singapore Airlines reduced capacity from 9 flights a week to 4 flights during the first quarter of the financial year as the economic crisis deepened. As at the end of the financial year, this has seen an improvement with capacity being increased by 11% as Singapore Airlines launched the Boeing B787-10 Dreamliner, with a capacity of 337 seats. The segment persevered with its marketing and promotion campaigns, effectively addressing the challenges faced during the year, including the shortage of foreign exchange. To mitigate this issue, the segment encouraged passengers to remit funds directly to the airline, ensuring a smoother transaction process.

Despite a 36% reduction in cargo tonnage handled during the year caused by capacity cuts and decreased global demand for garments and general cargo, the segment successfully diversified into perishables like seafood, ornamental fish, and foliage. This diversification resulted in a 5% increase in revenue from cargo movements.

As the GSA for Jazeera Airways the airline has achieved impressive progress in the market, overcoming fuel-related challenges during the second and third quarters of the year. With an average load factor of 91% per flight, Jazeera Airways has enhanced its operational reliability. By expanding distribution channels and reaching agents beyond the commercial capital points. The airline has successfully tapped into previously untapped areas, generating sales. This strategic approach has enabled Jazeera Airways to enter emerging markets like Hajj and Umrah, as well as the CIS markets, resulting in a significant increase in their market share. Their success has disrupted the long-standing dominance of legacy carriers that persisted for over a decade.

Key Initiatives Implemented

Expansion

- Increased focus on developing direct distribution channels and digital platforms.
- Capitalised on perishable loads through proactive marketing.
- Enhanced customer experience through the introduction of Boeing B787-10.
- Focused on direct shipper business on cargo for additional revenue.

Efficiency

- Exercised rate differentiation on low utilisation flights to propel overall load factor to revenue.
- The focus was on optimising loads with higher profitability.
- Focused on direct shipper business on cargo for additional revenue.

Achievements

- Singapore Airlines Colombo Team won the GRIT Awards from SIA for its resilient performance in
- Ace Aviation Services (Maldives) (Pvt) Ltd was recognised as the "Leading GSA" at the South Asian Travel Awards consecutively for the last four years.

Challenges and Risks

The reduction on seat and cargo capacity, fuel crisis and the shortage of foreign exchange were significant challenges for the segment. The cargo segment experienced a substantial reduction in yields post-COVID and a reduction in outbound demand as global demand for garments and general cargo reduced, along with a reduction in inbound cargo demand due to import restrictions. The reduction of apparel exports and the impact of political and economic tensions on tourism continue to be risk factors for the segment.

The tourism industry faced a significant number of challenges during the year. The political instability, implementation of emergency law, fuel and energy shortages resulted in travel advisories that led to a decline in tourist arrivals. The increasing migration of skilled and trained employees continues to be a key challenge.

Navigating the Future: Strategic Outlook for Growth.

The segment is cautiously optimistic about its growth prospects as the demand for global travel shows a rising trend. It anticipates that the current operating conditions will lead to a continued increase in airline capacity, with a return to normalcy expected by October 2023.

Moreover, the air freight industry is projected to gradually expand, supported by the strengthening of the rupee, and increased foreign investments. However, the segment acknowledges the challenge of maintaining yields as competition in the market becomes more intense. Despite this, the segment remains mindful of the potential for growth.

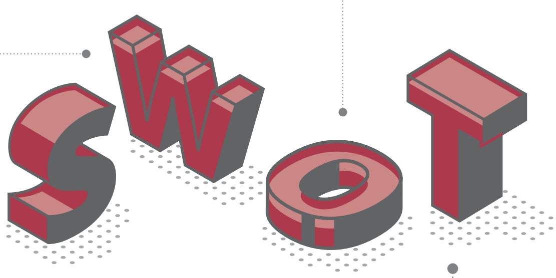
In light of the changing dynamics and obstacles in the industry, the airline GSA segment demonstrates a cautious stance towards expansion, aiming to navigate through the circumstances and seize growth opportunities.

WEAKNESSES

- High fixed overheads
- Increasing cost of air travel
- Seasonality of demand

OPPORTUNITIES

- Potential to expand into new markets such as the Far East segment
- Growth potential in air cargo capacity
- Diversification of cargo items



STRENGTHS

- Increase in demand for travel and re-opening of international borders
- Brand value and reach of the principal airlines with high passenger and cargo capacity

THREATS

- Competition from low cost airlines
- Capacity limitations to Sri Lanka
- Limited resources for expansion

SECTOR REVIEWS

MARITIME & FREIGHT LOGISTICS

The Group's Maritime & Freight Logistics Sector, a pioneer of the industry in Sri Lanka, provides a comprehensive range of services in cargo handling, freight forwarding, integrated logistics and maritime operations. Built on a foundation of more than a century of experience, the Sector continues to set benchmark standards for the industry. The scope of our operation enables the Sector to offer seamlessly integrated solutions utilising state of the art facilities and unparalleled service excellence forged through close customer relationships. Spanning across three continents leveraging on trusted global partnerships, the Sector has consistently recorded robust growth.

The team's commitment towards operational excellence has propelled profits resulting a 69.8% contribution to the Group's profit before tax for the year under review.

Our presence along the value chain (GRI 2-6)

Integrated Container Services

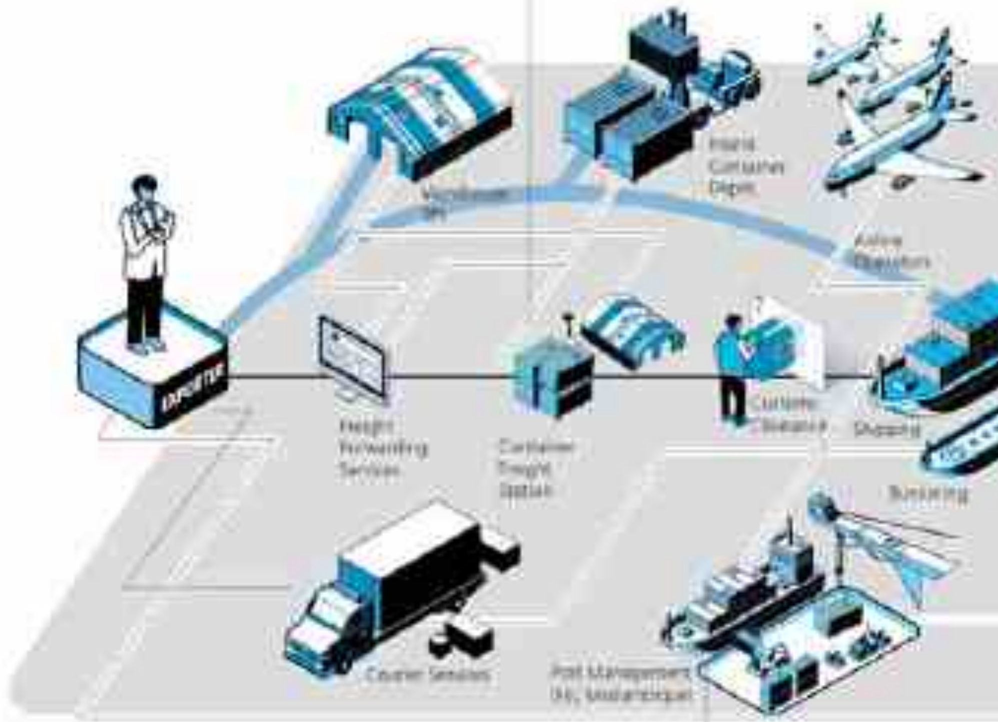
Aitken Spence Logistics provides an extensive range of logistical solutions, which include a specialised container freight station and a mobile storage facility spanning over 45 acres, inland container terminal services, warehousing and distribution, reefer storage and transportation services which comes with a fully equipped fleet of heavy vehicles and equipment.

Locations of Operation in Sri Lanka
Wattala, Mabole, Welisara, Katunayake, Mattakkuliya

Airline GSA (Cargo)

Represents air cargo general sales agencies for Qatar Airways in Sri Lanka.

Locations of Operation
Sri Lanka



Freight Forwarding & Courier

Aitken Spence Freight covers a wide spectrum of operations, including air and sea freight operations, customs house agencies, express courier service and represents international networks.

Locations of Operations
Sri Lanka, Maldives, Myanmar, Bangladesh and Cambodia

Revenue
Rs. 29.0 Bn

EBITDA
Rs. 9.0 Bn

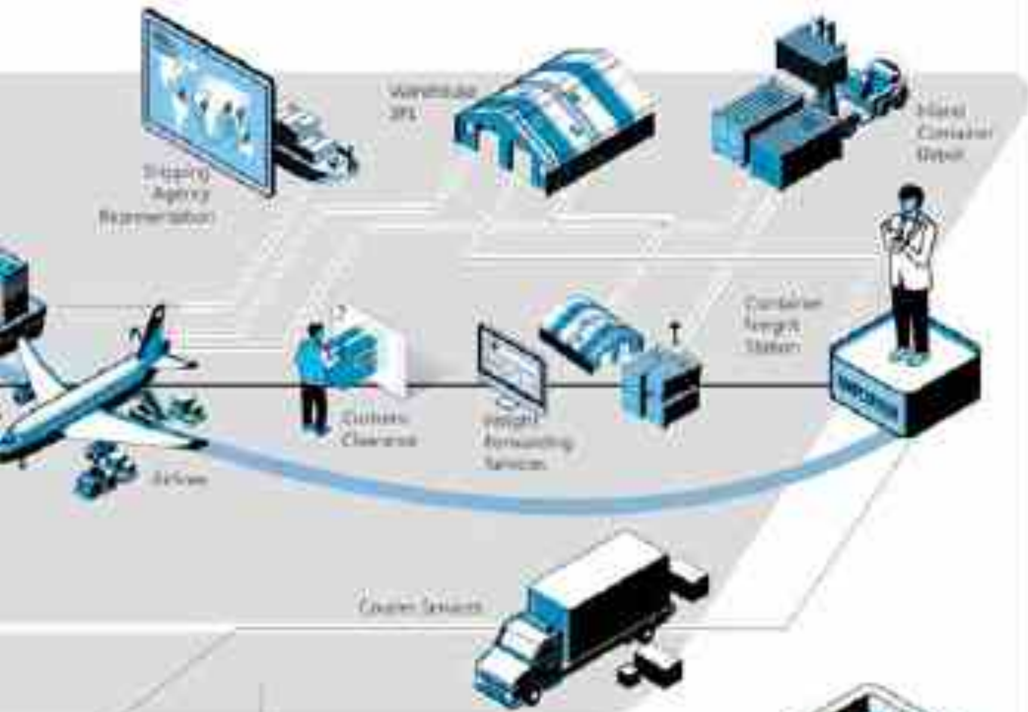
Profit Before Tax
Rs. 7.8 Bn

Education

CINEC Campus which commenced as a private maritime academy, is now one of the largest higher education institutions in Sri Lanka that offers undergraduate, postgraduate and doctorate degree programmes in fields of maritime, management, engineering, aviation and health science to name a few. Vocational training in the maritime and engineering fields are also offered by CINEC Campus which are highly commended by industry specialists. CINEC Campus currently manages the maritime academies in Fiji and Seychelles.

Locations of Operations

> Sri Lanka (Malabe, Nugegoda, Trincomalee and Jaffna)
> Fiji and Seychelles



Port and Shipping Services

Aitken Spence Port and Shipping services combine a range of specialised services in the maritime segment including ship agency, bunkering services and port management services in Fiji and Mozambique. Aitken Spence's pioneering spirit has played a significant role in elevating Sri Lanka's reputation for effectively managing and enhancing port productivity.

Locations of Operations

Sri Lanka, Fiji and Mozambique

CINEC Campus

Relevance to Group

Revenue

27%

Profit Before Tax

70%

Total Assets

11%

Total Liabilities

8%

Employees

13%

Emissions, Scope 1&2

12%

Water Consumption

5%

SECTOR REVIEWS
MARITIME & FREIGHT LOGISTICS

Locations of Operations

Port and Liner Services

Sri Lanka, Fiji and Mozambique

Certifications

» ISO 14001:2015

» ISO 9001:2015

Fiji Ports Terminal Ltd

» ISO 9001 – 2015

» ISO 14001 – 2015

Freight Forwarding, Courier

Sri Lanka , Maldives, Myanmar, Bangladesh and Cambodia

Certifications

» ISO 9001:2015

» ISO 14001:2015

Integrated Container Services

Wattala, Mabole, Welisara, Katunayake, Mattakkuliya

Certifications

» ISO 9001:2015

» ISO 14001:2015

» ISO 45001:2018

CINEC Campus

Sri Lanka *(Malabe, Nugegoda, Trincomalee and Jaffna)*
Fiji and Seychelles

Certifications

» ISO 9001:2015

Airline GSA (Cargo)

Sri Lanka

Value to Stakeholders

Rs. 2.5 Bn
Dividends paid to Shareholders

Rs. 2.5 Bn
Value Created for Employees

Rs. 12.9 Bn
Payments to suppliers and business partners

Rs. 1.7 Mn
Investment in Sustainability Processes

Rs. 2.1 Bn
Taxes paid to Governments (Direct and Indirect)

Highlights of Value Created for Key Stakeholders

Safe workplace provided for all employees

Environmental impact controls implemented across all operations

Putting Sri Lanka on the map with our expertise in port management

The dominant lines serving the South Pacific declaring Fiji as their preferred transshipment hub

Socioeconomic Impact (GRI 201-1,203-1,2)

Rs. 587.1 Mn
Investment in Infrastructure

Rs. 7.8 Bn
Facilitation of Foreign Exchange Generation to the Country

19,694
Number of student registrations at CINEC

1,751
Employment generated

Rs. 12.3 Bn
Total Value Added

1,599
New Customers Served

16%
Female Participation in labour force

Rs. 13.5 Mn
Investment in Training and Development

132,567 Kwh
Renewable energy generated

SECTOR REVIEWS
MARITIME & FREIGHT LOGISTICS

Operating Context

Sri Lanka

Operations: Integrated Container Services, Port and Shipping Services, Airline GSA (Cargo), Freight Forwarding & Courier and Education.

Market Overview:

The Port of Colombo experienced a decline in overall volumes, with a total decrease of 5% to 6.8 million TEUs compared to 2021. Specifically, transshipment volumes fell by 200,000 TEUs, while imports and exports declined by 100,000 TEUs and 16,000 TEUs, respectively. This decrease in volumes can be attributed to the import restrictions imposed by the government. The drop in transshipment volumes was due to shipping lines calling directly at other regional ports as well as lines changing their transshipment locations due to vessel rescheduling/ space constraints on vessels calling at the Port of Colombo. Volatility in freight rates also reduced the competitive advantage gained due to the rupee devaluation for exports in the global arena. Void sailings were triggered by space and capacity constraints as well as delays in other ports. With a drop in cargo volumes and demand dropping, lines increased their number of void sailings during certain weeks which affected the number of vessel calls at Colombo. The sector also had to deal with foreign exchange liquidity and exchange rate volatility issues, which added to the operational challenges. The energy crisis in the country during 2022 adversely impacted export volumes as vessels were compelled to carry extra fuel needed for onwards journeys from the Colombo Port. Additionally, labour disruptions at the Port of Colombo impacted the reliability of operations, exacerbating the challenges faced.

Mozambique

Operations: Port Operations

Market Overview:

The economic growth of Mozambique is expected to accelerate by 2025 as per the World Bank after a contraction in 2020. Imports consisting mainly of oils, mineral wax and cereals reached an all time high of USD10,839 million during the third quarter of 2022. Exports too showed an increase from USD 2163 million in the third quarter to USD 6,058 million in the fourth quarter of 2022. Mozambique has 5 major ports with Nacala, where Aitken Spence performs management and efficiency enhancement operations, being the third largest with 8 warehousing facilities and handling mainly coal, cotton, tea, and tobacco cargo.

Bangladesh

Operations: Freight Forwarding

Market Overview:

The Bangladesh freight and logistics market is estimated at a USD 28.7 billion. It remains a highly competitive market with over 1,000 local and over 20 international logistics operations and freight forwarders vying for business. As per the Central Bank of Bangladesh (Bangladesh Bank) exports have grown from USD 38,758 million in 2021 to USD 52,082 million in 2022. The largest export category comprises of apparel exports to the United States of America and Europe, with Bangladesh being the second largest exporter of apparel after China. However, the country is facing a confluence of concerns as retailers are deferring shipments due to soaring inflation, coupled with internal issues ranging from unfavourable trade policies, higher cost of imported inputs and an energy crisis. The import market has also grown from USD 51,063 million in 2021 to USD 75,770 million in 2022 with the largest imports being petroleum products and raw material for the apparel industry.

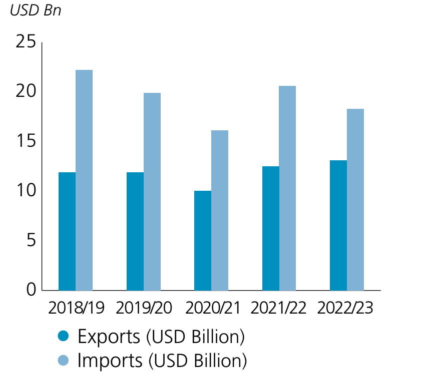
Fiji

Operations: Maritime & Port Services

Market Overview:

Fiji is well poised for a strong economic recovery as per the IMF with GDP rebounding by 16% in 2022 driven by large tourist inflows. Predictions are for a growth of 6.3% in 2023.

Exports & Imports



Fiji has also seen a growth in exports for the larger part of 2022. A majority of exports comprise of bottled water and sugar cane, while the country also re-exports petroleum products and industrial machinery. Imports in Fiji consists of consumer goods such as food and beverages, to intermediate goods such as raw materials, chemicals, petroleum products and machinery. The Company manages the two largest ports in Fiji; Suva with a container handling capacity of 100,000 TEUs and Lautoka with a container handling capacity of 40,000 TEUs.

Maldives

Operations: Freight Forwarding

With 6 principal cargo ports, Maldives has seen a steady increase of import volumes as per the Maldives Monetary Authority: imports between January to December of 2022 were at USD 3.38 billion, which is 31% higher than the value of imports during the same period of 2021. The largest volume of imports were petroleum products followed by food items. Exports also displayed a similar upward trend as volumes picked up by 40% between January to December 2022 at USD 399.6 million compared to the same period of the previous year. The largest export volume comes from fish exports and the largest export market being Thailand.

Myanmar

Operations: Freight Forwarding

Market Overview

The current political situation in Myanmar led to a slowdown in the manufacturing sector. However, apparel manufacturing activity continues at a slower pace. This is expected to improve in the second half of 2023 with more orders expected to be placed in Myanmar. Ace Aviation Myanmar is well placed in Myanmar to provide a variety of logistics solutions.

Cambodia

Operations: Freight Forwarding

Market Overview

This is the newest destination in the Aitken Spence footprint. Cambodia is an emerging market for manufacturing, with many buyers turning their attention toward the cost benefits of manufacturing in Phnom Penh. It's strategic location between Vietnam and Thailand also allows them to use land transport options thereby giving them more logistical flexibility. Textile exports has driven much of Cambodia's growth over the past several years. The textile sector relies on exports to the United States and European Union.

With apparel businesses shifting into Cambodia from countries such as Bangladesh, Vietnam and Sri Lanka, more orders can be expected in time to come. Furthermore, due to the tax benefit between Cambodia and US many manufacturers from China are relocating to Cambodia further increasing the business potential by boosting the number of exports.

Operations in Cambodia are set to commence in the second quarter of 2023.

Achievements

Aitken Spence Cargo (Pvt) Ltd representing the freight segment was awarded as the Category Winner in 'Transport, Logistics, Shipping and Shipping Related Services' and recognised among the overall 'Top 10 Companies' at the Best Management Practices Company Awards 2023 organised by the Institute of Chartered Professional Managers of Sri Lanka.

The segment also received an award for "Outstanding Revenue Contribution 2022" by a global network at an awards ceremony held in Singapore in February 2023. The segment was also recognised at the American Airlines Certificate of Appreciation March 2023 and awarded the Silver Award in the Large Freight Forwarders category at the National Logistics Award 2022.

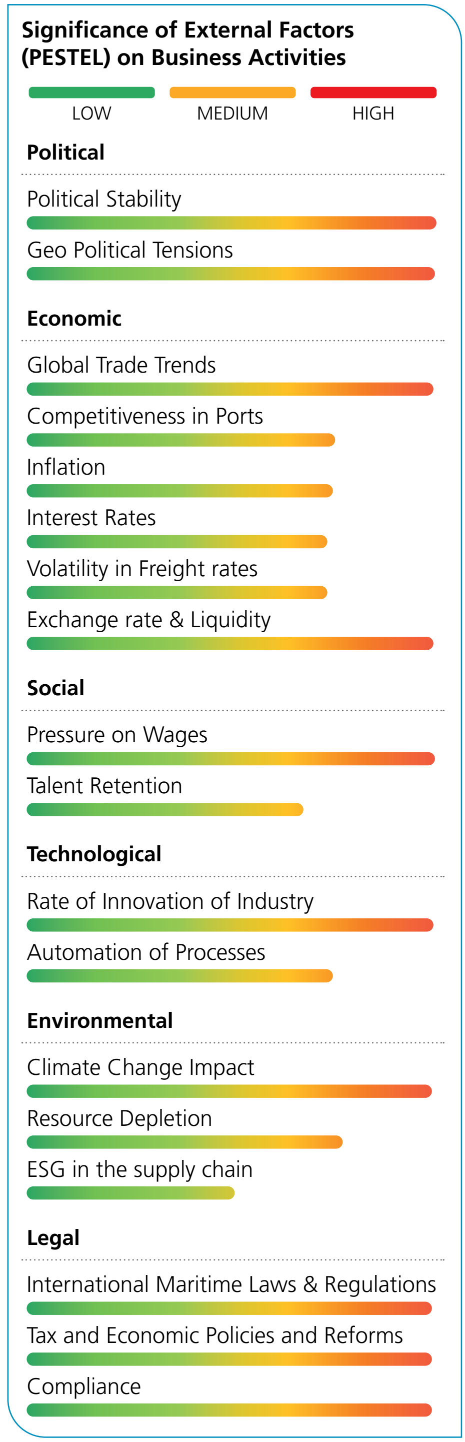
DBS Logistics Ltd

» The Silver Award was bestowed upon them by the National Chamber of Exporters, recognising their commitment to excellence in exports.

» Bronze Award at the National Logistics Awards, highlighting their outstanding achievements in logistics.

» Their exceptional performance and dedication in the cargo sector were acknowledged through the Singapore Airlines and Gulf Air Top 10 Cargo Agents Awards.

» The company received the Appreciation Award from American Airlines, further solidifying their reputation as a trusted and top-performing cargo agent.



SECTOR REVIEWS
MARITIME & FREIGHT LOGISTICS

Key Initiatives Implemented

Expansion

- Digitalising processes in all facets of port operations in Fiji
- Embarking on a capacity expansion project by investing in a new 100,000 square feet container freight station in Mabole
- Expanding our freight forwarding operations to Cambodia

Employees

- Building talent and succession planning through focused mentoring and career development programmes
- Enhancement of team cohesiveness through inhouse and outbound training programmes and community projects
- Integrated Container services maintain occupational health & safety (OHS) management systems aligned to the ISO 45001:2018 system standard with one operation obtaining the certification
- All operations reviewed for OHS and labour standards.
- Security personnel were provided a refresher briefing on human rights at the workplace

Efficiency

- Faster Vessel turnaround time by improving efficiency through automation and use of technology in the Fiji Ports
- Modernise our workflows with RPA automation in liner shipping segment
- Implementation of RPA (Robotic Process Automation) technology in the Container Freight Station Segment (CFS) automating all documentation processes.

Environment

- Collective efforts implemented across the sector to reduce indirect resource consumption, especially energy (grid energy).
- Integrated logistics segment which has a higher water and energy consumption within the sector strengthened efforts with a new target to reduce water consumption by 10% and expedited systemic interventions to reduce grid energy consumption by 15% by the end of December 2023.
- In the packing warehouse of the freight segment 7% of the packing material used is repurposed materials.
- Maritime segment carried out several employee engagement initiatives to create greater environmental awareness among employees towards building a Green Workforce within the organisation.

Delivering Strategy (GRI 3-3,413-1)

The Sector recorded an increase in revenue of 46.5% from Rs. 19.8 billion in 2021/22 to Rs. 29.0 billion in 2022/23 as it leveraged on the growth of global shipping prices and the devaluation of the rupee, despite the slow trajectory of volumes. The Sector reported the highest ever profits in its history with a record increase in net profit before tax of 58.5% from Rs. 4.9 billion to Rs. 7.8 billion during the financial year.

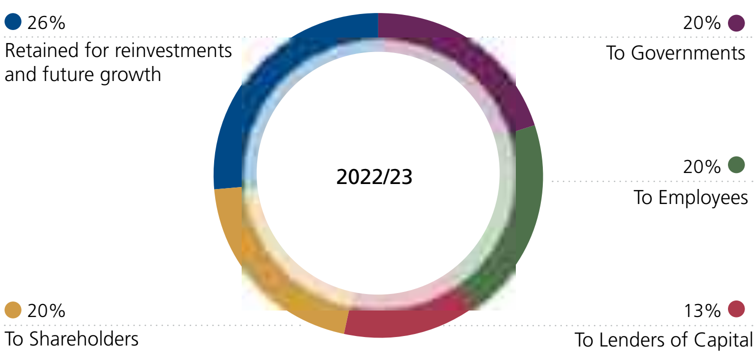
The growth in the sector over the years can be attributed to the strategic investments made in geographical expansions. These investments resulted in substantial foreign exchange earnings for Sri Lanka during an extremely challenging economic period. Moreover, our latest diversification into Cambodia presents a significant opportunity for further growth and expansion. We are confident that this move will help us to sustain our growth trajectory and contribute positively to the economy of Sri Lanka. The geographical diversification of the sector facilitated the generation of Rs. 7.8 billion in foreign exchange to the country during the financial year in review.

During the period under review, the freight segment, GSA Cargo operation, shipping services and integrated container freight operation in Sri Lanka demonstrated outstanding performance by generating the highest ever profits, thereby making a substantial contribution to the overall Sector's success.

The results were primarily driven by the steep increase in freight rates during the first three quarters and the shortening of the working capital cycle resulting from active management of receivables by the Sector. Global supply chain sluggishness, due to capacity restrictions and extended ramifications of the pandemic, resulted in a substantial growth in shipping rates despite global and local economic turbulence. The Sector was able to drive efficiencies across business verticals, honing in on improving order lead times, better utilisation of funds, debtor and cash management processes and improving the customer value proposition through dexterous re-strategising and agile decision making. The Sector also drove concerted efforts towards energy efficiencies and adopting industry best practices in congruence with our well-established sustainable management practices.

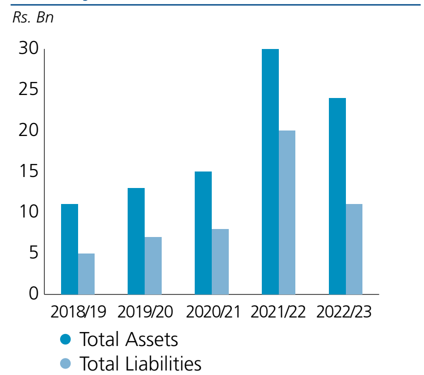
The economic headwinds in Sri Lanka during the year raised a confluence of concerns and overshadowed the post pandemic recoveries made during the previous years. However, the Sector was able to capitalise on cross segment synergies and provide uninterrupted end-to-end services. This played a critical role in ensuring the uninterrupted operation of the exports sector, as well as the continued movement of essentials across the country. This supply chain resilience was fortified by the Sector's financial strength which enabled accessibility to fuel and energy as the country experienced shortages during the period. Long-standing relationships with our business partners supported the Sector throughout this unprecedented period as we worked together to overcome challenges. The shortage of fuel and energy had a significant business impact as cold storage and reefer container plugging facilities, employee movements, transportation of goods as well as customer volumes were heavily impacted. The Sector re-evaluated the growth priorities against the ongoing economic backdrop and curtailed all discretionary expenses.

Value added statement (GRI 201-1)

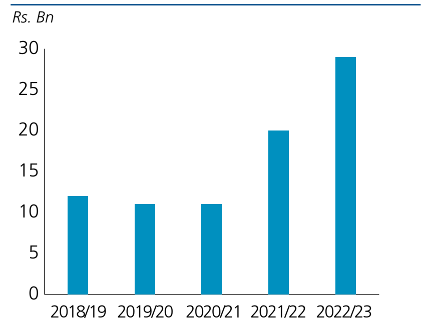


The operations of the Maritime & Freight Logistics Sector in the year 2022/23 resulted in a total value creation of Rs. 12.3 billion. This value was distributed equally among governments, shareholders, and employees, with each category receiving 20%. Additionally, the sector retained 26% of the total value for future activities. However, due to the sector's limited debt funding, only 13% was allocated to lenders of capital.

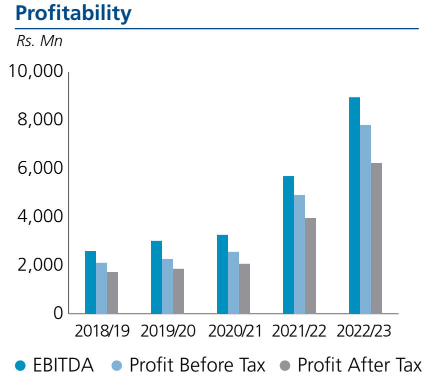
Stability



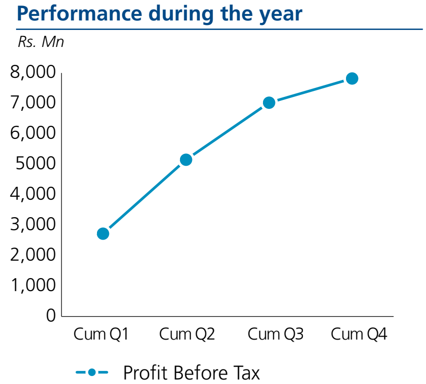
Revenue



Profitability



Performance during the year



SECTOR REVIEWS
MARITIME & FREIGHT LOGISTICS

Risks & Challenges

Some of the challenges faced by the Sector include the impact of the global economic slowdown stemming from the Russia-Ukraine conflict, prolonged lockdowns in China, the tightening of monetary policies in advanced economies and the resultant plateauing of demand and trade volumes. This may also be exacerbated by the reduction of bunkering prices and the freight rates due to the slowdown in demand in leading western markets.

Disruptions to global supply chains ensuing from port congestions, escalating fuel prices and rising costs continue to be potential risks although currently the abatement of these incidents has led to a gradual normalisation of freight rates towards the end of the year.

Changes in Sri Lankan government policies and higher taxation as the country grapples with economic turbulence and issues stemming from fuel and energy security issues, and foreign exchange liquidity will have a significant impact on the operations of this Sector. Competition from new state of the art freight and cargo hubs being developed by regional competitors, could lead to the country losing its present competitive advantage as the transshipment hub of South Asia, unless upgrades to local port infrastructure is brought in without delay.

Economic vulnerabilities in countries where the sector operates can present significant operational challenges as witnessed during the year in Sri Lanka which led to acute shortages of fuel and energy as well as declining volumes. Other operational priorities include the drive to continually improve on its socially and environmentally sustainable practices which would require higher investments.

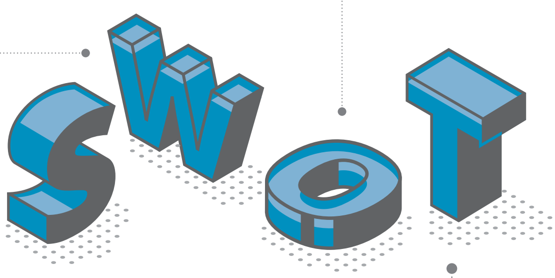
Extreme weather conditions and its potential impact pose risks to the Sector as well as to the health and safety of employees.

WEAKNESSES

- Shortages of skilled labour.
- The need to upgrade machinery and infrastursture at regular intervals.
- Functions highly dependant on principals, suppliers and service providers.
- Sensitivity of freight rates to global economic and inflationary pressures.

OPPORTUNITIES

- Accessible, growing market segments and high growth potential markets.
- Increasing demand for cold rooms, over dimensional cargo handling and warehousing in the region.
- Probable capacity enhancements of the Colombo Port and Katunayake Airport creating further opportunities for growth.
- High potential for the recovery of the Sri Lankan economy and lifting of import restrctions.
- New opportunities in bunkering, 3PL, MCC operations outside the port and plans for developing additional container freight station space.
- Opportunities to enhance the customer value proposition through the expansion of capacity and service provision.



STRENGTHS

- Long standing industry experience and market leadership.
- Trusted partnerships with strong, international brands principals.
- Diversified portfolio covering the entire value chain
- Potential to unlock in-house synergies.
- Skilled, experienced and committed employees.
- Financial stability of the Group.

THREATS

- Political instability and inconsistent policy decisions.
- Ongoing economic downturn and the possibility of a slow recovery.
- Expansions in competing regional ports.

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

	2022/23	2021/22	YoY (%)
Revenue (Rs. Mn)	28,972	19,771	47
EBITDA (Rs. Mn)	8,958	5,688	57
Profit before tax (Rs. Mn)	7,818	4,933	58
Profit after tax (Rs. Mn)	6,255	3,954	58
Total Assets (Rs. Mn)	23,771	29,977	(21)
Total Liabilities (Rs. Mn)	11,105	19,739	(44)
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B,			
Number of Employees	1,751	1,641	7
Employee female representation	16%	17%	(6)
Employee benefits paid (Rs. Mn)	2,520	1,829	38
Training hours per employee	7	5	33
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 12.b			
Investment in Training (Rs.'000)	13,549	1,020	1228
Number of student registrations at CINEC campus	19,694	15,893	24
Brand stewardship	4	4	-
Number of certifications	13	14	(7)
Number of joint venture/equity partnerships	10	10	-
Number of suppliers screened on ESG within the year	576	402	43
SDGs towards which the Sector's performance contributes:			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 14.1, 14.2			
Total energy consumption (GJ)	86,812	74,848	16
Renewable energy generated (GJ)	477.2	664	(28)
Scope 1 emissions (tCO2e)	8,011	7,070	13
Scope 2 emissions (tCO2e)	2,748	2,996	(8)
Emissions reduced or offset (tCO2e)	94	131	(28)
Total water withdrawn (m3)	53,730	35,798	50
Total volume of water treated for reuse or safe disposal (m3)	6,336	6,336	-
Total amount of solid waste kept away from landfills			
(Tonnes)	767	2,162	(65)
(Units)	864	1,238	(30)
Total amount of effluents safely disposed (Liters)	6,048	6,019	-
Total investment in sustainability driven processes (Rs. Mn)	2	2	(10)
SDGs towards which the Sector's performance contributes:			
Targets: 9.1, 9.4			
Property, Plant & Equipment (Rs. Mn)	7,578	6,205	22
Warehouse space (sqft)	299,602	280,302	7
Yard capacity	104,500	104,500	-
Transportation fleet	111	111	-
Investment in manufactured capital (Rs. Mn)	587	278	111
Depreciation	839	571	47

SECTOR REVIEWS
MARITIME & FREIGHT LOGISTICS

Nurturing Our Capitals (GRI 3-3,203-1)

Financial Capital
» Investments in equity accounted investees of Rs. 7.1 Bn
» Net assets (including investments in equity accounted investees) of Rs. 19.7 Bn

Social & Relationship Capital
» Retained all business partners despite the deterioration on sovereign ratings
» Goodwill and trust of business partners proved invaluable in a year of political, social and economic instability

Human Capital
» Team was strengthened during the year adding 110 new positions to the cadre
» Rs. 13.5 Mn invested in training and development

Natural Capital
» Strategic interventions in the pipeline to increase energy efficiency and reduce energy consumption from non-renewable sources towards the Group's targets to reach a state of net zero emissions

Intellectual Capital
» 24 Management systems maintained for environmental and social sustainability
» Efficiencies improved across all locations contributing to bottom line growth

Manufactured Capital
» Investments in Property Plant and Equipment Rs.587.1 Mn
» Expanded container handling capacity by 21.7%

Alignment to SDGs (GRI 3-3,203-1)

Quality education
» Training, education and leadership development initiatives enabled to employees
» Quality education made accessible to students in Sri Lanka through CINEC Campus

Gender equality
» Employee engagement across the Sector to promote gender equality as well as diversity, equity, and inclusivity

Decent work and economic growth
» Highest labour standards maintained across the sector
» Management systems maintained to increase resource efficiency and prevent pollution

Industry innovation and infrastructure
» The sector provides crucial infrastructure required for economic growth in the country connecting trade with global markets while ensuring environmental and social impact control

Responsible consumption and production
» Aligned to the 7R Principles, the Sector works to ensure zero waste dumping to landfills and increase resource efficiency to contribute towards a circular economy

Life under Water (SDG aligned at Sector level)
» While the operations treat wastewater and effluents to control impacts on natural water bodies and the ocean, the Sector also engages with employees to increase awareness about marine ecosystem conservation.

Please refer to more details provided in pages 387 to 394 and the overview of the integrated sustainability policy and its alignment to the SDG given in the annexures of this report.

Navigating the Future: Strategic Outlook for Growth

The Maritime & Freight Logistics Sector is facing new challenges with the weaker global economic outlook and the resulting possibility of a contraction in cargo movements. Operations in economies with elevated levels of debt are likely to slow down as high interest rates increase the debt service burden, dampening opportunities for new investments and growth. The easing of supply chain pressures post-pandemic facilitated the normalisation of freight rates, and this may impact the profitability of the sector as it emerges from a period of high margins. Aitken Spence Group will leverage its networks and expertise to grow its operations, expanding its presence geographically, as well as expanding the services in its countries of operation.

Operations in Fiji are poised for growth as the country positions itself as a main transshipment hub in the Pacific. The expected relocation of Port Suva into a more modernised, state-of-the-art port facility will also uplift its prospects, although downside risks remain as the country's levels of debt are high. The sector also foresees an increasing demand for its ship repair facilities in the ensuing years.

The container freight sector is also positioned for growth, with expectations of capitalising on the strategic expansions of its container freight station within the financial year. The sector plans to expand the trucking fleet by 10% and increase the capacity of the Welisara container depot by 3,500 TEUs (3.5 acres). It also plans to expand its operations in Bangladesh with cold room warehousing and general warehousing facilities while also diversifying into the handling of higher volumes of over-dimensional cargo.

The new company in Cambodia will focus on providing efficient and reliable logistics solutions for the growing demand in the region, catering to both local and international clients. The expansion into Cambodia demonstrates the Sector's commitment to expanding its operations in strategic markets and diversifying its services to meet the evolving needs of its customers.

The Sector will continue to place emphasis on greener operations, with a five-year plan in place to phase in more efficient and environmentally friendly equipment and operations. This will begin with the replacement of forklifts, investments in electricity capacitor banks to increase energy efficiency, and the implementation of solar energy generation.

The increasing demand from customers both locally and globally for end-to-end third-party logistics supports the growth of strategic businesses of the sector. Additional growth is also expected to stem from organisations looking to outsource their logistics functions and concentrate on core business activities. While the overall metrics may moderate, this sector will continue to seek opportunities for growth by enhancing the value proposition to the customer to find win-win solutions that set new benchmarks for the industry.

Expansion

Ports

» Expand operations overseas

Integrated Container Services

» Expand Welisara container depot capacity

» Expand container freight station capacity

» Expand capacity in cold room warehousing and general warehousing

» Expand operations to handle over dimensional cargo

Greening Operations

The sector has initiated a five-year plan to promote greening operations, placing immediate emphasis on

» Investments in electricity capacitor banks,

» Solar energy generation

» Wastewater treatment plants.

These investments aim to foster sustainable and eco-friendly practices.

STRATEGIC INVESTMENTS

This Sector comprises of the Group's investments in strategically important growth areas such as plantations, power generation, apparel manufacture and printing and packaging. The sector is typically capital and labour intensive with potential for significant socioeconomic and environmental impact as well as sustainable value creation. While the ventures in power generation, apparel manufacture and printing and packaging are subsidiaries, the plantation segment comprises mainly of associate companies. These segments are leading players in their respective industries and have contributed towards further synergies with expansion, driving performance and growth.

Our presence along the value chain (GRI 2-6)

Power Generation

This is a vital industry for the nation's development and the segment continues to work with the government to support energy security in the country. As a long-standing private power producer, the segment has expertise in dealing with multiple technologies such as thermal, wind, solar, hydro, and waste to energy.

As this is a capital intensive segment, the capacity to invest is a critical factor in addition to having the expertise in project management and modern technologies.

Apparel

This segment has been in operation for three decades gaining a reputation for sustainably manufactured quality products in specialised areas such as children's clothing. Working with international brands to exacting specifications has supported its journey in productivity and efficiency, significantly improving performance. Care for the employees has been a continuing area of focus that has enabled the segment to retain and develop its employees, underpinning its reputation for quality.

Revenue
Rs. 21.5 Bn

EBITDA
Rs. 6.2 Bn

Profit Before Tax
Rs. 0.5 Bn

Printing

Aitken Spence Printing is reputed for its high-quality printing, customer service excellence and commitment to sustainability. Working with global and local brands, it has the capability to deliver printing and packaging requirements to exacting requirements.

It also engages in printing books at the high end of the value spectrum, which is a specialised field. Increasing levels of value addition drive the growth and performance of this segment.

Plantations

The plantation segment is a leading producer of tea, rubber, and oil palm. In recent years it has moved into crop diversification as well as non-agricultural diversification to optimise the segment's resources. This has seen the launch of the cultivation of four types of berries and a range of value-added products under its own brands.

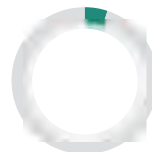
With its diversification strategy, the plantations with estates in the high, mid, and low elevations, has immense potential for growth.

Relevance to Group

Revenue

20%

Profit Before Tax



5%

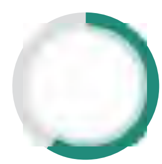
Total Assets

31%

Total Liabilities

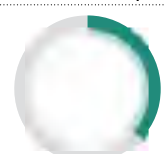
28%

Employees



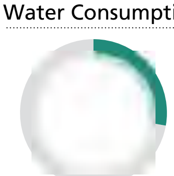
59%

Emissions, Scope 1&2



37%

Water Consumption



28%

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Advancing towards the Group Goals with unwavering commitment

Sustainable Profit Growth
Highest-ever profits in the apparel manufacture, plantations, and printing & packaging segments

Geographical Expansion
Setting up operations in Singapore for business expansion

Diversify in to new business segments
Expanded product ranges and diversified customer base to explore untapped export markets in the printing and packaging, apparel manufacture and plantations segment

Reduce resource footprint and achieve net zero emission status
Powering sustainability with renewable energy and reducing the country's carbon footprint

The ground mounted solar project acquired by the segment during the year added 10MW to segment's renewable energy portfolio

Employer of choice
Empowering our employees through skill development, career enrichment, succession planning, extensive training, and fair remuneration

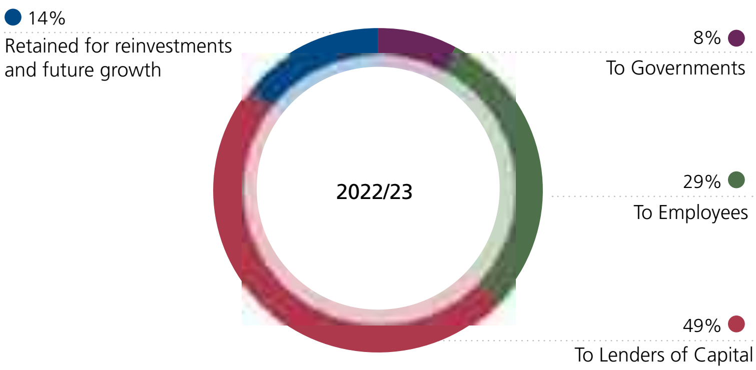
Delivering Strategy

The Strategic Investments Sector delivered a strong performance with plantations, apparel and printing segments recording the highest revenue and profits since inception. The top line increased by 97.5% to Rs.21.5 billion reflecting the results of implementing innovative strategies to seize opportunities that arose despite the economic downturn in the country. A global contraction in production resulted in increased tea and rubber prices. The rupee devaluation also supported the top line growth. However, there was a decline in sales volumes. The plantations segment launched a range of non-traditional produce varying from berries to cinnamon while venturing into value-added brands. The apparel segment also benefited from a strong order book as well as the devaluation of the rupee. The printing segment recorded strong top-line growth as it moved into new markets while also increasing its share of business from existing customers. The new ground mounted solar project acquired by the segment during the year added 10MW to segment's renewable energy portfolio. The power generation segment's performance was negatively affected by the burden of high interest costs on project loans, leading to a loss being reported for the year.

Sector reported a profit before tax of Rs. 543.5 million supported by increased employee productivity in most segments through digitalisation, automation and increased capacity utilisation. The apparel, plantations and printing segments gained significant efficiencies through improvement of workflows, implementation of innovative processes and employee training. Margins came under pressure due to increased costs of electricity and fuel as well as imported raw materials. The power generation segment's profitability was severely impacted due to high interest costs on project loans, long delays in payments from the Ceylon Electricity Board, and a sharp increase in interest rates. To overcome these challenges, the industry is exploring various strategies, such as optimising the supply chain and implementing efficient cost management practices. Significant operational challenges were overcome due to the Group's financial stability and the Spensonian grit, which contributed towards better performance.

The sector facilitated the equivalent of Rs. 9.4 billion in foreign exchange earnings to the country and created economic value of Rs.9.5 billion for its stakeholders.

Value added statement (GRI 201-1)

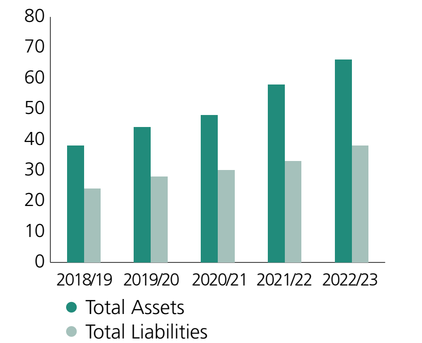


The Strategic Investments sector contributed towards the Group value creation with a positive generation of value of Rs. 10.0 billion for the year.

The high cost of borrowings had by the sector due to its capital intensive investments and the increase in interest rates resulted in 49% of the total value created being distributed amongst its lenders of capital. This high allocation to its lenders of capital and the requirement to retain a portion of its value for future activities resulted in no allocation being made to its shareholders for the year. The sector retained 14% of its total value created for future activities while distributing 29% to its employees and 8% to Governments in the form of taxes.

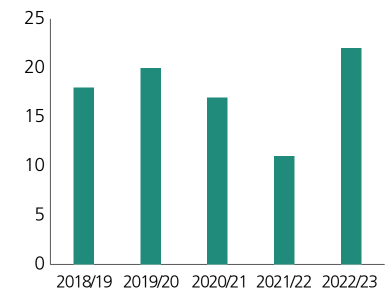
Stability

Rs. Bn



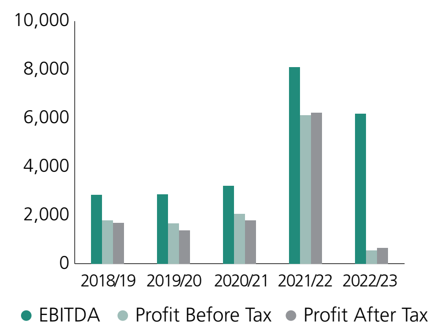
Revenue

Rs. Bn



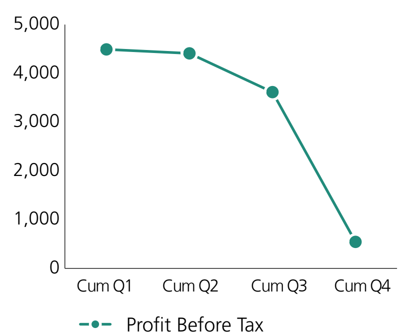
Profitability

Rs. Mn



Performance during the year

Rs. Mn



SECTOR REVIEWS
STRATEGIC INVESTMENTS

Nurturing Our Capitals (GRI 3-3,203-1)

Financial Capital

- Revenue growth of 97.5%
- Net assets (including investments in equity accounted investees) of Rs. 30.1 Bn

Human Capital

- Rs. 15.0 Mn invested in training and development

Intellectual Capital

- Digitalisation and improved workflows
- Plantations introduced new products under new brands

Natural Capital

- Reduction of 22% in the energy consumption per unit revenue from 2021/22
- 68% of the water consumed sourced from harvested rainwater
- 100% effluents treated for safe disposal

Social & Relationship Capital

- Growth in customer base and channels
- Strengthening supply chains and supporting their sustainability journeys

Manufactured Capital

- Investments in property plant & equipment Rs. 2.2 Bn.
- Diversification in plantations and power through acquisitions and investment

Alignment to SDGs (GRI 3-3,203-1)

Quality education

- Training, education and leadership development initiatives enabled to employees
- Support extended to children and youth in local communities to access and continue education

Gender equality

- Employee engagement and systemic interventions across the Sector to promote gender equality as well as diversity, equity, and inclusivity

Clean water and sanitation

- Employee engagement and systemic interventions across the Sector to promote gender equality as well as diversity, equity, and inclusivity

Decent work and economic growth

- Highest labour standards maintained across the Sector
- Management systems maintained to increase resource efficiency and prevent pollution

Industry innovation and infrastructure

- The sector has made significant investments to strengthen the renewable energy portfolio in the country
- Systemic interventions in place to ensure sustainable industrial growth

Responsible consumption and production

- Investment in infrastructure to support a circular economy
- Aligned to the 7R Principles, the Sector works to ensure zero waste dumping to landfills and increase resource efficiency

Life on land

- Contributing to carbon sequestration by maintaining green cover spanning over 8,000ha
- Preservation of animal corridors through buffer zones developed at the estates

Access to affordable and sustainable energy
(SDG aligned at Sector level)

- The plantations segment is committed to support the country's development priorities by working towards achieving net zero emission status through targeted investments in renewable energy while also maintaining carbon sinks

Climate action

- The plantations segment was an early adopter of strategic interventions to identify climate change related risks and strengthen resilience and adaptive capacity to climate-related hazards and natural disasters

Please refer to more details provided in pages 387 to 394 and the overview of the integrated sustainability policy and its alignment to the SDG given in the annexures of this report.

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

	2022/23	2021/22	YoY (%)
Revenue (Rs. Mn)	21,509	10,888	98
EBITDA (Rs. Mn)	6,192	8,080	(23)
Profit before tax (Rs. Mn)	543	6,132	(91)
Profit after tax (Rs. Mn)	657	6,227	(89)
Total Assets (Rs. Mn)	66,287	57,880	15
Total Liabilities (Rs. Mn)	38,316	32,548	18
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 8.5			
Number of Employees	7,681	7,410	4
Employee female representation	60%	58%	3
Employee benefits paid (Rs. Mn)	2,857	2,218	29
Training hours per employee	4	7	(43)
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 8.4, 8.8, 12.2, 12.6, 12.8			
Investment in training (Rs. '000)	15,031	8,151	84
Brand stewardship	7	7	-
Number of management systems	68	60	13
Number of certified management systems	33	31	6
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.6, 8.5, 8.6, 9.1, 12.8			
Number of joint venture/equity partnerships	6	6	-
Number of Suppliers	3,103	3,103	-
Number of suppliers screened on ESG within the year	112	662	(83)
Total funds channelled for community development (Rs. Mn)	231.6	112	107
SDGs towards which the Sector's performance contributes:			
Targets: 6.3, 6.4, 7.2, 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b, 15.2, 15.5			
Total energy consumption (GJ)	399,598	278,158	44
Total energy consumed from non-renewable sources and indirect energy (GJ)	177,552	52,046*	241
Total energy consumed from renewable sources (GJ)	222,046	192,518	15
Total energy generated from renewable sources (GJ)	690,030	618,042	12
Scope 1 emissions (tCO2e)	29,005	14,438	101
Scope 2 emissions (tCO2e)	5,940	6,368*	(7)
Emissions reduced or offset (tCO2e)	94,006	95,563	(2)
Total water withdrawn (m3)	306,404	107,742	184
Total volume of water treated for reuse or safe disposal (m3)	34,683	26,104	33
Total amount of solid waste kept away from landfills			
(Tonnes)	31,331	38,945	(20)
(Units)	764	763	2
(Liters, waste oil)	104,761	51,961	102
Total investment in sustainability driven processes (Rs. Mn)	29.3	38	(23)
SDGs towards which the Sector's performance contributes:			
Targets: 9.1, 9.4			
Property Plant and Equipment (Rs. Mn)	21,766	19,122	14
Investment in manufactured capital (Rs. Mn)	2,230	1,867	19

(Note: Indirect and renewable energy consumption and accordingly, scope 2 emissions and emissions reduced for the Sector for 2021/22 has been restated due to recalibration of data.

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Value to Stakeholders

194,172
MT Residual Municipal Solid Waste from Colombo district converted to energy

Rs. 2.9 Bn
Value Created for Employees

Rs. 11.9 Bn
Payments to Suppliers and Business Partners

Rs. 29.3 Mn
Investments in Sustainability Processes

Rs. 231.6 Mn
in Funds Channelled for Community Development

Socioeconomic Impact (GRI 201-1,203-1,2)

Rs. 2.2 Bn
Investment in Infrastructure

Rs. 9.4 Bn
Facilitation of Foreign Exchange Generation to the Country

Rs. 494 Mn
Taxes Paid to Governments

7,681
Employment generated

Rs. 10.0 Bn
Total Value Added

130
New Customers Served

60%
Female Participation in labour force

Rs. 15.0 Mn
Investment in Training and Development

690,030 GJ
Renewable energy generated

Navigating the Future: Strategic Outlook for Growth

The Strategic Investments Sector has been a key driver of the Group's growth in recent years, with a focus on long-term value creation and strategic partnerships. Despite the challenges posed by macroeconomic uncertainties, the sector's resilient performance and ability to adapt to changing market conditions have positioned it for continued success. With a broad portfolio of investments spanning multiple industries, the sector is well-positioned to capitalise on emerging trends and technologies, while also mitigating risk through portfolio diversification. As the Group continues to prioritise sustainable value creation, the Strategic Investments Sector will play a critical role in driving innovation, fostering strategic collaborations, and creating long-term value for stakeholders. The Strategic Investments Sector is poised for growth despite the challenges ahead. Its diverse nature offers significant opportunities for diversification, which bodes well for sustainable value creation for stakeholders and the Group.

To gain a thorough and detailed understanding of the future prospects within the Strategic Investment Sector, we highly recommend referring to the specific segment reviews. These reviews offer an extensive and comprehensive overview of each segment, providing valuable insights into their potential growth, emerging trends, market dynamics, and other relevant factors that will significantly impact their trajectory in the future.

Power generation

Our Purpose

To ensure that all the Aitken Spence power plants are maintained at an optimum operating condition to generate maximum electricity to the national grid.

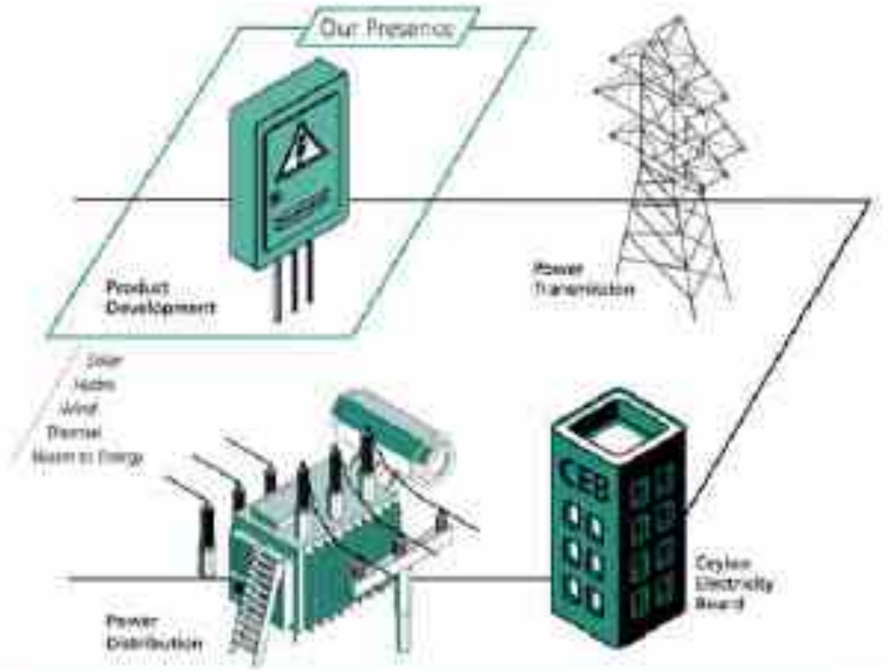
A leader in the renewable power energy generation in Sri Lanka, Aitken Spence has a diversified portfolio of solar, hydro, wind and waste to energy power generation facilities contributing actively towards the Country's non-conventional renewable energy capacity. The Ceylon Electricity Board is the sole customer with long term power purchase agreements governing the contractual arrangements between the parties. Energy security is critical for the socioeconomic progress of the country and Aitken Spence has a proven track record of successfully introducing new technologies to the country, one of which being the landmark development and commissioning of the country's first ever waste to energy power plant which has now been in successful operation for the past two years. The Group's renewable energy power plants have contributed to roughly 1% of Sri Lanka's annual total electricity demand.

Industry Overview

Global concerns over climate change and pressure from stakeholders are driving a change towards affordable and clean renewable energy. Global investments in renewable energy are expected to exceed USD 1.4 trillion accounting for 75% of total investments in energy.

Sri Lanka's Long Term Generation Expansion Plan 2023 – 2042 seeks to generate 70% of power generation through renewable energy sources by 2030 and achieve carbon neutrality in power generation by 2050. According to the plan, the annual increase in solar and wind power will be 500 MW and 150 MW respectively.

Our presence along the value chain (GRI 2-6)



Our Portfolio

Thermal Power	Wind Power	Solar Power	Hydro Energy	Waste Energy	Total Power supplied to the National Grid
100 MW	3.0 MW	16.7 MW	6.1 MW	10 MW	152.8 MW

Energy security was a critical concern during the year with scheduled power outages implemented to manage the shortfall. The foreign currency liquidity constraints hindered continuous generation of power through coal and fuel. Hydropower generation which approximates to 34% of the total generation , is insufficient to meet the shortfall although rainfall patterns were relatively favourable. There was a notable reduction of the private sector energy sales to the CEB from 4,004 GWh to 3,672 GWh from 2021 to 2022, largely due to the inability to transmit power generated from renewable energy plants during the power outages.

Devaluation of the rupee and the increase in interest rates moderated returns on investments in power generation projects as the CEB feed-in-tariffs were not revised to reflect the changes in investment costs and financing costs. Delayed settlements of outstanding dues to private sector power generators have caused severe strain in the continuation of the operations as well as dampen investment sentiments hindering new investments in power generation.

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Locations of Operations

Ace Power Embilipitiya (Private) Limited

Capacity 100 MW – Thermal power plant
Location – Emblipitiya, Rathnapura

Western Power Company (Private) Limited

Capacity 10 MW- Waste to energy power plant
Location -Wattala, Gampaha

Ace Wind Power (Private) Limited

Capacity 3 MW- Wind power plant
Location- Ambewela, Nuwara Eliya

Sagasolar Power (Private) Limited

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

Waltrim Energy Limited

Elgin Hydropower (Private) Limited
Upper Waltrim Hydropower (Private) Limited
Waltrim Hydropower (Private) Limited
Capacity 6.6 MW – Hydro Power Plant
Location – Lindula, Nuwara Eliya

Branford Hydropower (Private) Ltd

Capacity 10 MW- hydro power plant
Location: Hambanthota

Key Initiatives Implemented

Investments

» Acquisition of Sagasolar Power (Private) Ltd for Rs.1.4 billion adding 10MW of ground mounted solar power capacity to the Group's portfolio

Employees

» Training and upskilling employees.
» Wage adjustments, reimbursements and transport options to help employees cope with inflationary market conditions.

Efficiency

» Enhanced efficiency of power plants
» Digitising of spare parts inventory
» Continuous monitoring of emissions and enhancing filtration to reduce impacts

Environment and social

» The tree belt maintained at our power plant in Embilipitiya is home to six bee colonies and over 25,000 trees.
» Helping neighbouring communities during the flood and shramadana campaign
» We collaborated with several providers of non- toxic industrial waste to transform their waste into green energy

158 Mn kWh

Generated and supplied 158 Mn kWh of renewable energy to the national grid

Delivering Strategy

In July 2022, the Group acquired Sagasolar Power (Pvt) Ltd., expanding the capacity of its non-conventional renewable energy by 10 MW making this the largest solar project managed by the Group.

This is the country's first utility scale solar farm extending over forty-five acres of leased land and has the ability to generate 18 million kWh to the national grid annually. Processes are being implemented to align with the Group's certifications to ensure that systems are in line with international best practices.

The segment generated 158 million kWh of electricity during the financial year which is 21.5% higher than 130 million kWh generated in the previous financial year. Renewable energy accounted for 78% of total power generated during the year under review. The waste to energy facility Western Power Company Ltd., processed 195,562 metric tonnes of residual municipal solid waste, making a significant impact in reducing pollution through landfills and protecting sensitive wetland ecosystems. In addition, the waste to energy power plant is assisting the manufacturing plants to safely dispose of nontoxic industrial waste contributing to the circular economy in Sri Lanka. Performance of the wind power operations witnessed similar generation levels as last year with hydro power generation recording a marginal drop of 4.7%. The thermal power plant was idle for the larger part of the year as the power purchase agreement was not renewed after September 2022.

The segment's profitability was dampened by the increased interest costs as the finance expenses increased significantly on the borrowings for the waste to energy power plant and the cost of working capital funding due to delayed settlements from the CEB. While we recorded strong balance sheet growth, receivables from CEB increased by over 100% to approximately Rs. 7.5 billion part of which is outstanding for over ten months although a provision has not been made in the financial statements as it is a due contractually payable as per the power purchase agreement signed with a state owned enterprise.

Risks

The main risk is the dependency on a single customer as transmission and distribution of power in the country is vested only with the Ceylon Electricity Board. The overdue balances are a key concern as interest costs have increased sharply, eroding profitability. Interest costs also impact investments and a revision in the tariff is needed for the industry to cover significantly increased operating costs.

Highlights of value created to stakeholders

Keeping the Western Province clean for all stakeholders, converting municipal solid waste to renewable energy

Contributing to conservation of sensitive ecosystems while reducing the country's carbon footprint from energy

Investments to strengthen the country's renewable energy generation capacity

194,172MT
municipal solid waste diverted from landfills

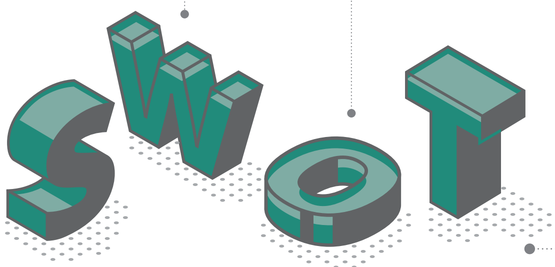
A tree belt maintained at the Embilipitya power plant with over 25,000 trees

850 plants distributed from the plant nursery in Embilipitiya

Renewable energy generation capacity increased by 30% from 2022

Rs.1.4 billion
Investment in Renewable Energy

SECTOR REVIEWS
STRATEGIC INVESTMENTS



WEAKNESSES

- Having to finance new investments primarily through borrowings in a high interest rate environment.
- The need for regular overhauling and maintenance of power plants which requires expensive imported spare parts.
- Shortcomings/ high cost of required infrastructure for effective generation of power

STRENGTHS

- Long standing expertise in both thermal and renewable energy power generation.
- Trained, skilled and experienced staff with technical knowledge and capabilities.
- The only operator in the country to successfully commission a large scale waste to energy plant.
- Strength of the manufactured capital of Aitken Spence to be utilised for rooftop solar
- Capacity to generate capital for investments in renewable energy

OPPORTUNITIES

- Introduction of the Feed-in-Tariff for new renewable energy projects.
- Close proximity to countries with growing GDPs that may provide investment opportunities.
- Increasing demand for renewables as the country faces a foreign exchange shortage.

THREATS

- Increased staff turnover and migration.
- Uncertainty in Government policies on the power sector.
- Susceptibility of hydro and wind power projects to changes in the weather and climate change.
- Difficulty in making overseas investments due to the present economic environment in the country.

Navigating the Future: Strategic Outlook for Growth

The Group's dedication to making a positive contribution to the country's renewable energy goals creates growth potential within the segment. A significant opportunity exists for expanding the Group's renewable energy portfolio, aligning with the country's long-term focus on wind and solar energy. However, the expansion of the sector domestically will depend on resolving the liquidity shortage within the CEB as regular payments are essential for the private sector power producers to reduce high interest and operating costs to a sustainable level. Future expansion plans will focus on non-conventional renewable energy in line with the sustainability commitments of the Aitken Spence Group, provided the tariffs are revised to reflect increased costs. New projects are dependent on the CEB who will float tenders for their upcoming projects. Changing tariff structures will be a concern as some of the existing projects move from higher tariff structures at the beginning of the period to lower tariff structures towards the latter years.

With the objective of reducing the current high dependency on the local market the segment is also exploring overseas opportunities for renewable energy investments in the solar energy sphere in order to diversify its portfolio, especially given the developments in the scope of Internationally Transferred Mitigation Outcomes (ITMOs). With the expertise the Group has accumulated in this domain it is envisaged that significant offshore expansions would take place in the future which would also enable the country to generate valuable foreign exchange inflows.

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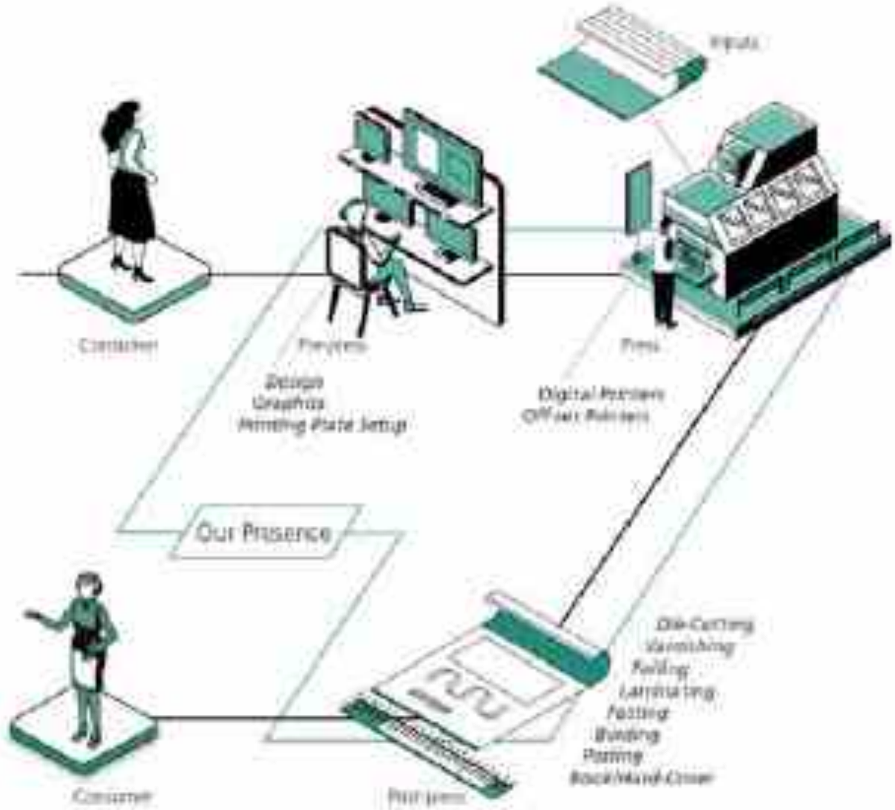
Printing and Packaging

Leveraging on approximately seven decades of experience and expertise, the printing and packaging segment is a pioneer and a trusted partner to many leading clientele in the highly competitive printing and packaging industry of Sri Lanka. The segment consists of Aitken Spence Printing and Packaging (Pvt) Ltd and Ace Exports (Pvt) Ltd and carries a reputation for manufacturing premium quality products with short lead times and innovative solutions. The customer-centric,environmental friendly operation provides tailor-made solutions to its customers both in the domestic and global market, with world class capabilities in product design, production and finishing. The comprehensive portfolio of the segment includes printing of packaging material, tags and labels, hard and soft cover books, coffee table publications, magazines, and seasonal products etc.

Our presence along the value chain (GRI 2-6)



Awards

In the Sri Lanka Packaging Awards "Lanka Star 2022", Aitken Spence Printing received the Platinum Trophy for being the Overall Winner with the highest number of awards, which included 4 Gold and 2 Silver.

Aitken Spence Printing Ltd

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Highlights of Value Created to Stakeholders

Providing a safe workplace for employees in their own locality

Greening the supply chain with an environmentally friendly manufacturing facility and a green workforce

Connecting Sri Lanka with a global supply chain through our network of customers

Industry Overview

Performance of the printing and packaging industry was encouraging during the first half of the year but moderated during the second half, mirroring the subdued economic conditions of the country. The industry fortunes are impacted significantly by the performance of the FMCG, tea and apparel sectors in the domestic and export markets. Both markets experienced moderation in demand as the economic outlook weakened, with a direct impact on business volumes.

Production

Industry	2021	2022	% change
Food, Beverages & Tobacco Production (Index of Industrial Production)	293.2	303.8	3.6
Tea Production (Mn/Kg)	299.5	251.5	(16.0)
Apparel (Index of Industrial Production)	95.4	100.5	5.3

Exports

Industry	2021	2022	% change
Food, Beverages & Tobacco (USD Mn)	587.0	520.0	(11.4)
Tea Volumes (Mn Kg)	286.0	250.2	(12.5)
Tea (USD Mn)	1,324.4	1,258.8	(5.0)
Apparel (USD Mn)	4,952.0	5,483.1	10.7

Certifications

- LEED Gold Certified facility
- ISO 9001, ISO14001 and ISO 45001 certifications
- Sedex member ethical audit by SMETA
- Intertek certificate for ethical business practices and health and safety.
- FSC Certification

52
New Customers Served

6%
Female Participation in labour force

Rs.1.0 Mn
Investment in Training and Development

17%
reduction on energy

Environmental Initiatives

- Powering Sustainability: 949,595 kWh generated to the national grid from building roofs
- Rs 11.3 Mn Investments in Sustainability Processes

Overall, the index of industrial production for the printing and reproduction of recorded media within the country saw a 5.8% decline, with the import of paper and paperboard also recording a marginal decline of 1.14% in USD terms between 2021 to 2022 as the industry faced converging challenges.

The Russia-Ukraine war and the ensuing trade embargoes disrupted the paper pulp manufacturing industry, with Russia being one of the largest wood suppliers. Capacity constraints in the shipping industry led to escalating freight rates. Additionally, increasing energy costs and shortage of coal supplies stemming from the ongoing war also exacerbated the situation. Against this backdrop, the prices of imported raw materials increased due to the rupee devaluation and increased freight charges. This coupled with the inability for competitive price negotiations due to delays in making payments to foreign suppliers as a result of the foreign exchange shortages led to lower margins.

The situation eased somewhat in the last quarter and prices of paper and board normalised to previous rates. However, the impact of the foreign exchange rate movements continued to have a negative impact on the segment.

Delivering Strategy

The overall performance for the financial year was commendable, recording the highest ever turnover and net profit for the segment. The turnover increased by 87.5% from the previous year and recorded a significant increase in profit before tax. The exceptional growth in profits can be attributed to a focused marketing strategy, cost optimisation, better price planning, and an increase in efficiency in the segment. Combination of these factors led to a significant improvement in the company's financial performance.

The segment's performance was resilient during the first six months of the year in review recording almost 75% of the profits, although the latter half of the year proved to be more challenging. Nevertheless, there was a continuous focus on working capital efficiencies, cost rationalisation and cashflow management. The segment faced an increase in raw material prices by approximately 50% - 60% during the period, due to resource shortages in source markets, coupled with an increase in freight rates. Locally, the cost of operations also led to an increase in prices which required an aggressive focus on cost management. Hence, steps were taken to improve workflow processes with enhanced coordination with customers, with the objective of reducing re-work requirements and customer returns. This included digitisation of processes and development of cutting-edge systems, for workflow management. Further, systems were implemented to identify efficiency levels of machinery to carry out timely maintenance. A fully equipped laboratory center for product testing was set up along with a move to automate quality control processes where possible and replace older machinery and software with more state of the art technology.

The segment's customer-centric strategies included responding to the evolving market needs of current customers to increase their value proposition, as well as diversifying into newer market segments such as rubber products, electrical items and beverages. The turnaround times of orders were reduced by addressing a critical bottle neck by adding further capacity to the pasting section to reduce the post press delays.

Employee training and awareness sessions were conducted regularly alongside regular management reviews, employee engagement

Key Initiatives Implemented

Expansion

- Diversification into 02 new business segments.
- Acquiring 52 new customers and expanding the revenue generated from our existing customer base
- Enhancing our production capacity in the post-press section to alleviate current bottlenecks

Employees

- Training and upskilling of employees.
- Succession planning for key positions.
- Wage adjustments, reimbursements and transport options to help employees cope with inflationary market conditions.

Efficiency

- Digitalisation, process improvements and software and hardware updates.
- Automated quality control and electronic verifications.
- Workflow management system for increased visibility and traceability of operations.

Environment & Social

- The segment made donations of paper to MOH offices and temples due to the paper shortage in the country.
- Water Management: Effluent water from the production plant is reused for gardening and sanitary purposes.
- Zero waste to landfill policy: Solid waste (cotton, ink containers): -sent to the waste to energy power plant operated by the Group; Sludge: sent & treated by a waste management company; Off-cuts: sent to small industries; Cut-pieces: shredded and re-exported to India.

programmes and performance incentives. The wellbeing of employees remained a priority as expenses and costs due to inflationary pressures were covered through reimbursements and wage adjustments where possible, along with providing carpooling and transport facilities as well as the continuation of the on-site medical facility for employees. As a part of the continuous CSR initiatives the segment contributed paper and printed material to rural hospitals, MOH offices and temples during periods of paper shortages.

Challenges and Risks

Dependency on imported raw materials the cost of which is directly affected by the devaluation of the rupee, supply chain disruptions and fluctuating freight rates due to global factors necessitated upward revision of prices regularly. The market also contracted with the downturn in the economy leading to excess machine capacity. Economic migration of trained staff for overseas employment opportunities proved a challenge across the industry.

Difficulties in planning are exacerbated by the subdued economic conditions which elevates the risk of cancellations and delays in placing orders and reduced order quantities.

Navigating the Future: Strategic Outlook for Growth

The country's economy is forecasted to contract, moderating opportunities for growth as consumption declines in the domestic market. The decline in exports in the fourth quarter is also a key concern, dampening the short and medium term outlook for the industry. Supply constraints of resources stemming from geopolitical tensions also remain a concern, exerting pressure on costs. Positive trends observed include easing of freight rates which are expected to decline in 2023. Relative stability in the economy compared to 2022 and easing of energy and fuel supply issues is encouraging, facilitating higher levels of productivity and an increase in consumer and business sentiments, supporting demand.

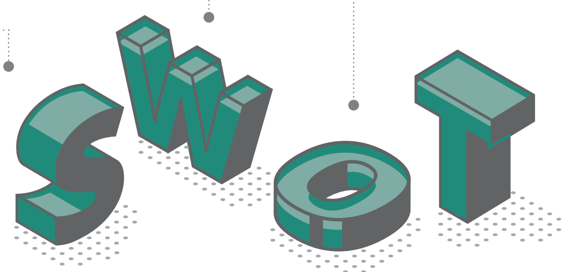
A strong reputation and a proven track record of commitment to quality supports the segment as we pursue opportunities to drive growth within a contracting market. As a part of this, the segment will realign and reinvent the offerings to customers through further value addition while expanding the customer base in sectors with growth potential. Implementing the planned ERP system will provide greater insights into operations, supporting improved management of workflows and costs. Quality control will remain a priority, minimising returns and reworking of orders through stringent quality control and testing processes.

WEAKNESSES

- High dependency on the local market
- Dependence on few high-volume generating customers
- Rapid evolution in printing technology necessitating re-investment
- High average cost for low volume orders
- Declining demand for offset printing

STRENGTHS

- Capacity, short lead times and state of the art equipment
- Skilled and competent workforce
- High level of automation
- Strength of Aitken Spence brand
- Sustainable operations
- Compliance with quality, environmental and safety standards and certifications



OPPORTUNITIES

- Access to regional export markets and wide network through Group's overseas operations
- Opportunities for backward integration and partnerships with suppliers having potential for cross selling
- Growth through optimising capacity utilisation in offset printing, foiling and binding
- Ring fence customers through value addition.
- Attract premium customers with carbon-neutral, green printing options
- Opportunity to expand product portfolio to the digital arena

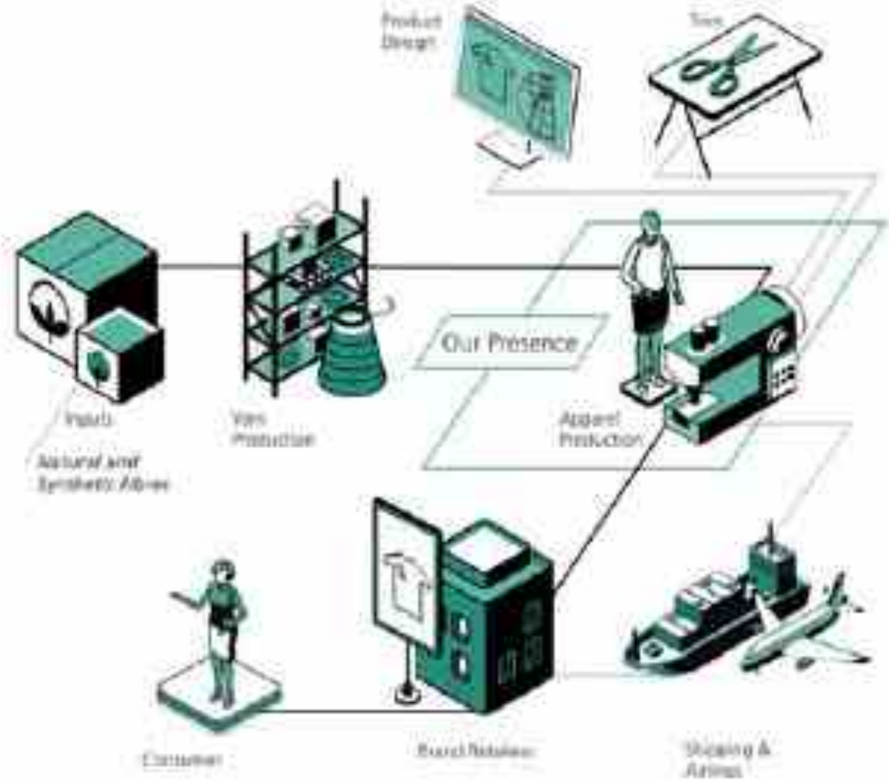
THREATS

- Global and local recession affecting demand conditions
- Fluctuation in exchange rates leading to volatile raw material prices
- Migration of skilled workers
- Customers shifting to digital options

Apparel Manufacture

The Apparel segment is committed to ethical and sustainable apparel manufacture, upholding the high standards of environmental and social due diligence that is a hallmark of the Aitken Spence Group. The segment consists of three companies, located in the Koggala export processing zone and in Matugama, supplying over four million pieces of woven clothing annually to niche clothing markets in the USA, UK, and Germany. The segment's speed-to-market agility, internationally benchmarked manufacturing processes and consistent high quality has made it one of the preferred suppliers for brands such as GAP, Old Navy, LANDS' END, Next and sustainable fast-food range of clothing for the entire EU market of McDonalds. Certified as a Worldwide Responsible Accredited Production (WRAP) organisation, Sedex the segment is renowned for providing a safe workplace that empowers their employees to meet their full potential.

Our presence along the value chain (GRI 2-1,6)



Locations of Operations

Koggala

Certifications

- Compliance+ certification from the EFC
- ISO 9001: 2015 (quality)
- SEDEX Registered Supplier
- Gold Certificate of Compliance – Worldwide Responsible Accredited Production (WRAP)

Matugama

Certifications

- Compliance+ certification from the EFC
- ISO 9001: 2015 (quality)
- SEDEX Registered Supplier
- Gold Certificate of Compliance – Worldwide Responsible Accredited Production (WRAP)

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Highlights of value created to stakeholders

"Ape Rahe Piyasa", an eco-friendly store, launched to sell homegrown produce and homemade food of our employees to inspire their entrepreneurial spirit.

Supporting our employees during the economic crisis by providing both dry rations and financial assistance to weather the storm.

Empowering local youth to seek professional and personal development opportunities in their own locality.

Industry Overview

Sri Lanka's exports of textiles and garments increased by 9.50% to USD 5.9 billion in 2022, holding on to volumes despite a moderating economic outlook in key markets. Earnings from apparels accounted for 45% of total exports reflecting the importance of the industry to the economy. In 2022, USA was the largest market for apparels, totalling to USD 2,344 million, while UK and Italy purchased USD 727 million and USD 512 million, respectively. The industry provides direct employment for over 350,000 people while indirect employment is estimated to be over 1.1 million.

A month-on-month comparison of the value of clothing exports indicate a decline in monthly exports over the previous year. Industry experts attribute this to the global economic slowdown as inflation and subdued customer sentiments have moderated the outlook of key markets.

In terms of global fashion markets, the market capitalisation of global fashion brands moderated during the latter part of 2022, after a strong period of growth from early 2021 through to mid-2022. As per McKinsey and Company forecasts, this subdued growth rate will continue through 2023. Despite record growth rates of 21%

Key Initiatives Implemented

The recent series of transformation sessions conducted by the company had the objective of instilling the essence of "Spensonian Pride" within its employees and redefining their work ethics to align with the current business landscape. The organization firmly believes that its core values play a crucial role in shaping its identity, and its unwavering dedication to these values leads to a prioritisation of the following principles:

1. Placing People First:
2. Driving Results:
3. Embracing an Innovative Approach:
4. Dedication to Essential Human Values:
5. Environmental Sustainability:

By emphasising these principles, the company aims to foster a company culture that genuinely reflects its values and serves as a guiding force in its pursuit of success

Expansion

- The segment expanded its floor space and redesigned it which significantly increased its capacity
- Expanding into new products lines and customers.

Efficiency

- Improved efficiency through better workflows and management systems

Employee engagement

- Regular workshops to upskill and train employees
- Over 2000 employee engagement events carried out including sporting events, graduations, talent shows and other similar events
- "Haritha Kedella" initiative: Expanding the livelihoods of Spensonians beyond the workplace by providing seeds and assistance to cultivate their home gardens. This would garner extra income for their families

Environmental & social

- Carbon footprint quantified, and strategies rolled out to offset the emission for the year to establish a benchmark towards the Group's efforts to achieve a status of net zero emissions by 2030
- Canteen waste reduced by 10 – 15%

11
New Customers Served

85%
Female Participation in labour force

28,292 Man hours in Training and Development

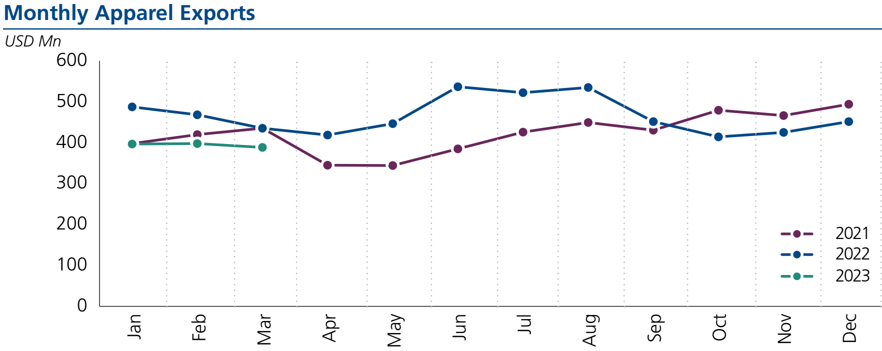
Rs. 4 .6 Bn.
Funds channelled for sustainable environmental and social value creation

increase in revenue during 2021, sales during 2023 are expected to pull back from -2% to +3%. Stemming from the contractions due to currency pressures, inflation and energy concerns, European markets are forecast to shrink between 1% to 4%. On a more positive note, the US clothing market is expected to grow by 1% to 2% during 2023. Similarly, the luxury fashion segment is forecast to grow between 2% to 4% during 2023.

Delivering Strategy

Despite facing significant challenges in supply chains and operations during an unparalleled economic crisis, the apparel segment not only excelled but achieved unprecedented profitability, making it their most successful year to date. This remarkable accomplishment can be attributed to several key factors. Firstly, the segment experienced an over 100% growth in revenue, driven by a combination of increased prices, sales volume, and the favourable effects of rupee devaluation. Additionally, their pre-tax profits soared by an extraordinary 328.0%, reaching an unparalleled high. This outstanding achievement has positioned the apparel segment as the second-largest profit contributor within the Sri Lankan geographical segment of the Group and one of the top four contributors at the Group level, showcasing their vital role in driving overall profitability.

Monthly Apparel Exports



The segment placed significant emphasis on implementing effective cost management strategies amidst the moderating economic outlooks for the country and key export markets. Through their focused efforts, the segment successfully reduced the cost per minute of production by an impressive 23% during the year. Furthermore, they implemented strategic production and warehouse floor planning, along with workflow redesign to eliminate congestion and enhance production scheduling, leading to an 11% improvement in efficiencies. Notably, despite the significant operational challenges faced amidst socio-economic turmoil, the segment managed to increase the number of garments produced by 11%, from 3.8 million units to 4.2 million units.

The apparel segment is widely recognised for its high levels of industry compliance and internationally benchmarked operations, which are reinforced by regular compliance audits and continuous training workshops for employees. Demonstrating their commitment to employee well-being, the segment conducted various engagement activities, including surveys, employee recognition programmes, volunteer initiatives, and providing support such as dry ration packs and financial assistance to production floor employees. As a result of these efforts, the segment achieved a commendable 3.5% reduction in employee absenteeism during the year under review.

Awards & Achievements

Merit Award in the Manufacturing sector – Extra Large category National level at the Ceylon National Chamber of Industries (CNCI) Awards 2022

Milestone of 45 years marked by the segment

Recognised in the Top 10 Best Management Practices companies conducted by Chartered Professional Managers Sri Lanka

SECTOR REVIEWS

STRATEGIC INVESTMENTS

WEAKNESSES

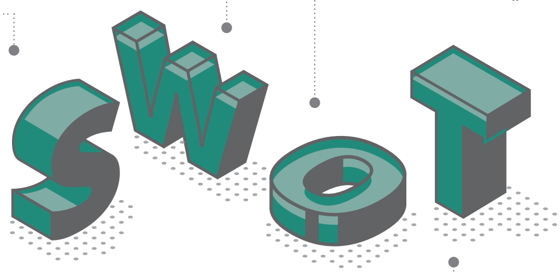
- Rapidly changing technology in the industry necessitating the need to upgrade the plant and machinery equipment
- Need for local infrastructure to be upgraded

OPPORTUNITIES

- Investments in fabric manufacturing
- Converting to direct manufacturing model from contract Manufacturing
- Potential to diversify operations overseas and access new geographical markets and customers
- Expansion of local manufacturing capacity.

STRENGTHS

- Experienced and skilled workforce
- Manufacturing plants strategically located close the Southern highway
- Established customer base consisting of several global brands



THREATS

- Skilled employees migrating for overseas employment prospects.
- Economic instability
- Inflation in major markets which impact consumer demand
- High cost of working capital

Challenges and Risks

The segment faced significant challenges during the year as the country's economic crisis impacted its global supply chains. Downgrading of the country's credit rating resulted in suppliers demanding payments by telegraphic transfer prior to shipping, instead of the regular documentary credit terms which had been the norm, exerting pressure on liquidity as the working capital cycle expanded sharply. This was exacerbated by the foreign exchange liquidity crisis as sourcing foreign exchange to make the advanced payments to suppliers posed a serious challenge.

Increasing inflation exerted a considerable pressure on production and other operational costs, including payroll as employees faced significant challenges with the increase in cost of living. The segment provided economic relief for the employees during the year as inflation reached unprecedented levels. The cost of providing economic relief to employees increased the overall cost structure of the segment although it was viewed as a timely gesture. Further, the increase in fuel and electricity rates exacerbated the overall costs as its impacts were both direct and indirect. Costs of borrowing increased sharply during the year which was a significant challenge as the working capital cycle was expanding at the same time. While these issues have eased to a fair extent, they remain as potential downside risks due to the volatility in the global and the Sri Lankan economy. Additionally, there has been an increasing trend in economic migration of skilled and professional workers as well as unskilled workers and this is expected to pose severe challenges in the years ahead. Other global factors affecting the segment include commodity prices as well as geopolitical factors which can disrupt international supply chains and impact demand.

Navigating the Future: Strategic Outlook for Growth

While the USA market holds a more positive forecast and accounts for a majority of the segment's revenue, the group is actively pursuing market penetration in the UK, EU, Australia, Japan, and emerging markets. However, the global demand forecasts for branded garments in the short to medium term remain subdued. The segment will monitor global demand, and plans are underway to increase capacities as and when required in a cost-effective manner. In the short term, the segment will make a concentrated effort to increase production efficiency and reduce employee absenteeism through continuous training and development initiatives. The empowerment and uplifting of employees will remain a priority as the segment invests in them and provide them opportunities for growth. Plans are underway to implement an integrated ERP system, "industry 4.0" towards end of 2023 financial year, connecting operational areas to improve visibility and efficiency of processes. The segment will also focus on expanding the customer portfolio through competitive positioning and value addition.

In the medium term, the segment will look to capitalise on the growth expectations of the global fashion industry by increasing production capacity further with steps underway to improve turnover by a significant percentage, within the next five years. The long term plans include overseas expansion to mitigate the risks of depending on one production location. The segment also plans to transform from the contract manufacturing model to one of direct manufacturing for more sustainable growth.

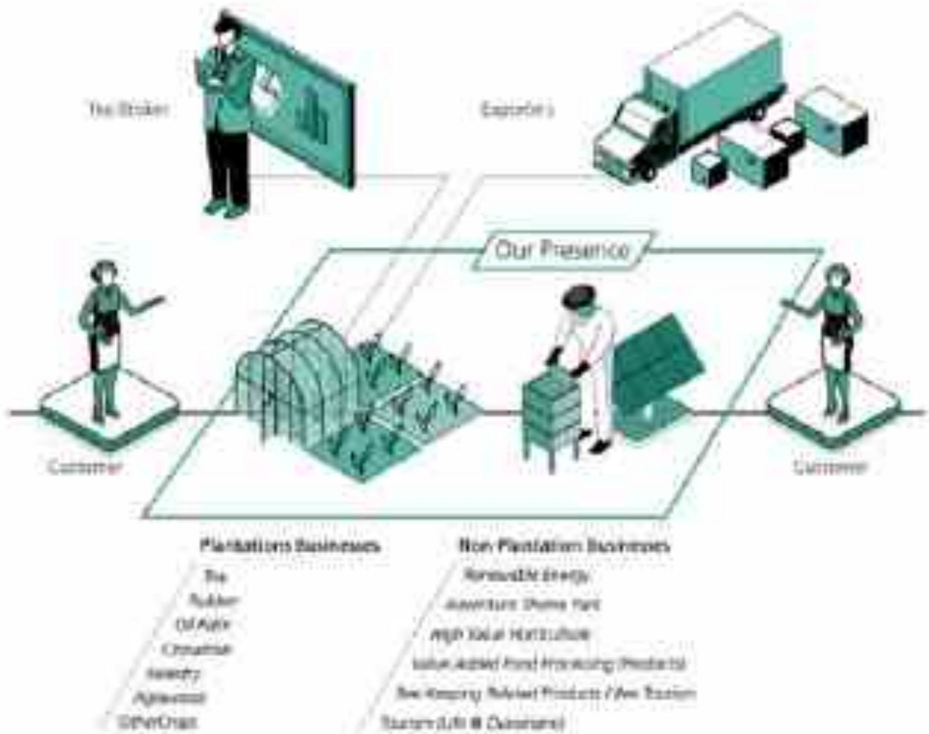
The country's economic recovery will play a key role in attracting customers as well as managing working capital and costs, to deliver increased profitability. The segment continues to focus on managing costs and efficiencies to further refine operations which is aided by the holistic integration of sustainability principles.

Associates:

Plantations

The plantation segment comprises of strategic investments in Elpitiya Plantations PLC and seven other companies. Collectively, this segment focuses on transforming Elpitiya Plantations from commodity-based company into an innovative, entrepreneurial company that creates maximum business and social value. Its operations range from producing tea and rubber to cultivation of oil palm, berries, cinnamon, retailing, renewable energy generation and eco-tourism with several new diversifications in the pipeline.

Our presence along the value chain (GRI 2-1,6)



Highlights of Value Created to Stakeholders

Over 90% of the total energy requirement sourced from renewable energy with 100% of the factory roofs being utilised to generate solar energy generating over 159% of renewable electrical energy demand than our present consumption recording net positive in electrical energy usage.

Quality of life enhanced for employees through targeted projects. These efforts include infrastructure developments, multiple social development interventions and improving access to education and soft skills development for children, youth and women in our communities.

Monumental strides made in the progress of our design 2020 strategy to ensure business growth with a diversification strategy, and an agriculture and processing strategy in order to achieve revenue growth over 25% through sustainable strategic partnerships.

SECTOR REVIEWS

STRATEGIC INVESTMENTS

Achievements

Triple bottom line winner- Environment category Best Corporate Citizen Sustainability Award 2023, organised by the Ceylon Chamber Of Commerce

Runner up in the below 15 billion category Best Corporate Citizen Sustainability Award 2023, organised by the Ceylon Chamber Of Commerce

Runner up in the Sustainability Reporting Awards 2023 conducted by ACCA Sri Lanka.

Awarded Gold at the first ever 'Green Productivity Awards 2021' organised by Sri Association for the advancement of Quality and productivity (SLAAQP)

Winner of a sustainability award for the Agriculture sector (large category) by the German Industry and Commerce in Sri Lanka (AHK Sri Lanka) and the Friedrich Naumann Foundation.

Best sustainability project award winner - Environment Sustainability category for the project 'Living Green Soil'

Best Corporate Citizen Sustainability Award 2023, organised by the Ceylon Chamber Of Commerce

Best sustainability project award winner - Social Sustainability category for the project 'Ready to be Ready'

Best Corporate Citizen Sustainability Award 2023, organised by the Ceylon Chamber Of Commerce

Overall Silver Winner and sector winner (Agriculture & Plantations sector) in the Best Management Practices Excellence Awards category at the Best Management Practices Company Awards 2023 organised by the Institute of Chartered Professional Managers of Sri Lanka

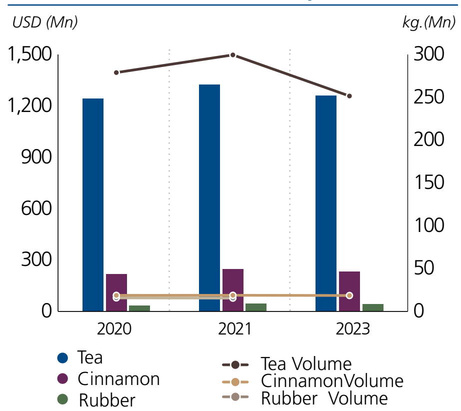
Industry Overview

The plantation sector in Sri Lanka is heavily weighted to the production of tea and rubber which are among the country's highest exports in value. Tea is the principal agricultural export crop while rubber exports are classified as industrial exports. Coconut and spices are also key exports, ranking among the top ten export earnings in the country.

The resource utilisation within the plantation industry which controls large extents of land and other natural resources has been less than optimal. Although crop yields have declined over the past years due to inadequate replanting and the impact of poor policy decisions on fertilizer and agro-chemicals, the export prices remained buoyant for both tea and rubber. This proved favourable as the rupee devalued sharply in 2022, improving the performance of the sector.

A major concern for the sector is the high wages in relation to low labour productivity. The political influence wielded by unionised labour has resulted in wage increases which were not on par with productivity increases, thereby adversely impacting production costs. Inflation added significant pressure on narrow margins which was exacerbated by the increased energy and fuel prices. The shortage of chemical fertiliser following the imposition of organic fertiliser policy resulted in lower yields and hampered other agricultural processes as well, with a knock-on impact on harvests and productivity.

Tea, Cinnamon and Rubber Exports



Key Initiatives Implemented

Expansion

» Initiative has been taken to set up an AgroTech company through a merger with existing R&D company.

» A joint venture partnership for cultivating pineapple.

» A collaboration with a Swedish company for production of biochar which sells carbon credits in overseas markets.

» Expanding the 'Harrow House', our retail chain operation, by moving into Indian Market and expanding the product portfolio

» Berry Much
- Fresh Strawberries different sized
- Fresh Blackberries
- Fresh Raspberries
- Whole fruit Strawberry Jam
- Raspberry Jam

» Harrow Ceylon Choice
- Kithul treacle
- Coffee beans & powder
- Wellness range/ Herbal Tea Products (Moringa, Soursop, Ginger, Cinnamon, Coriander)
- BOPF ziplock pouches

» Tropifrut
- Mango & strawberry smoothie
- Tamarind drink
- Soursop Smoothie
- Soursop Jam
- Soursop Strawberry Jam
- Classic Peanut Milk
- Mango with Peanut Milk
- Pineapple with Peanut Milk

Efficiency

» Introduced smart digital weighing system at field level

» Digitalisation of field documentation with smart devices

» Switching from conventional inefficient thermal heaters to efficient steam boilers, which improved productivity and quality.

Employees

» Annual health camps screening all workers for NCDs spending over Rs 34 million.

» Succession planning and skills development interventions strengthened during the year

Environmental & Social

» Continuing reforestation efforts to increase the green cover in the tea plantations

» Project- 'Get to School' is an ongoing initiative to support 659 students with educational materials at an investment of over Rs. 3.5 million.

» Project- 'Ready to be Ready' supporting the community in plantation with company grown vegetable to ensure the food security and nutrition of the community spending over Rs. 2.5 million.

SECTOR REVIEWS
STRATEGIC INVESTMENTS

Products

Delivering Strategy

The segment recorded the highest revenue and profits since inception supported by increased prices for tea and rubber and the devaluation of the rupee. The non-plantation business performed encouragingly, although many of these ventures are still in the early stages and are yet to reach profitability. The segment now has four brands: Berry Much, under which its berry products are marketed; Tropifrut for its fruit-based line of products; Ceylon Choice through which the plantations own teas are marketed; and Harrow House being the retailing arm of the company's products. The segment has broadened the distribution and marketing channels, venturing into its first overseas market in India. It has also formed joint ventures for the cultivation and processing of pineapple with a renowned manufacturer of food products and for biochar with 'Planboo' which is a Swedish company working with climate-conscious businesses, farmers, land stewards, and biochar producers.

The segment continues to focus on optimising its resources by diversifying beyond traditional businesses by leveraging expertise within the Group. Accordingly, its capital expenditure during the year was mostly focused on diversification while ensuring sustainable value creation through traditional tea and rubber production.

Sustainability continues to be a key priority for the segment which has set its targets for 2030 and is committed to achieving the same. Progress made in this regard is set out below.

As inflation increased pressure on disposable income, the segment facilitated improvements in livelihood for the local community through increased salaries and wages, and a higher level of local purchases.

2030
Environmental Targets

- Match grid energy used with renewable energy generated by **300%**
- Reduce usage of chemical fertiliser by **50%** by 2030
- Increase green cover by **10%** by 2030
- Recycle **100%** of plastic waste

Socioeconomic Impact

(GRI 201-1,203-1,2)

206,260 m3 rainwater harvested to recharge soil and irrigation.

17,266.3m3 wastewater treated for safe disposal

Generated 159% of grid energy requirements through renewable sources, moving towards 300% target by 2030.

17,560 tonnes CO_2e emissions offset through renewable energy generated through hydro, solar and biomass

Reduced use of chemical fertiliser by 23% in 2022/23 against 2030 target of 50%

16 University Scholarships

10 Advanced Level Scholarships

Composting all biodegradable waste and plant material (4,800 MT) towards improving soil carbon level, soil moisture, nutrients, and biological properties by 2030

Challenges and Risks

While the segment delivered a strong performance, it faced multiple challenges during the year. The increase in inflation, electricity and fuel costs were balanced only due to the higher prices for both tea and rubber and the devaluation of the rupee.

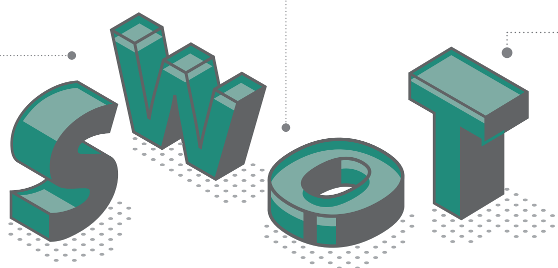
The shortage of fertilizer and agrochemicals continues to hinder steady progress of the sector. The inconsistent policy on oil palm has affected the development of a potentially high foreign exchange earning industry for the country. Favourable climatic conditions were a positive factor in the past year although the weather continues to be an inherent natural risk for the sector. Geopolitics remains a concern as Russia and Ukraine are key buyers for tea.

WEAKNESSES

» Performance is highly dependent on climate and weather
» Highly labour-intensive sector
» Politically influenced labour unions
» Majority of unskilled labour
» Shortage of workers in Low Country

OPPORTUNITIES

» Government support for development of sector
» Crop diversification and rotation
» Global demand for sustainably produced goods
» Higher opportunities in leisure sector



STRENGTHS

» Visionary leadership
» Multi talented human capital
» Availability of land resources in 03 climatic conditions
» Availability of natural resources
» Strong balance sheet
» Well diversified business portfolio
» Strength of partnerships

THREATS

» Inconsistent and uninformed state policies and regulations
» Potential cost increases and withdrawal of subsidies
» Global Warming/ Climate Change
» Unionised Workforce
» High tax rates

Navigating the Future: Strategic Outlook for Growth

The plantation segment is rich in resources which makes it ideally suited to diversify and grow into a multitude of business sectors. As food and energy security become national priorities, there is significant potential for growth for the segment in these areas as well as supporting the recovery of tourism with alternative offerings such as adventure and agro tourism. The recent diversification into these areas is expected to yield positive results over the medium term. Geopolitics which affect the demand for primary export crops and the escalation of production costs present potential downside risks for the segment in addition to the vagaries of climate change. The upside potential includes increased harvests across all three principal crops, tea, rubber and oil palm resulting from the improved availability of fertilizer in the market, albeit at an increased price. We expect the revenue from non-plantation diversifications to grow in the year ahead as we roll out more products in larger quantities through the newly established channels.

Meeting our sustainability targets will continue to be a priority that is driven from the top management with the active involvement of the Board as the industry is vulnerable to climate change and exposed daily to social inequalities. We are expanding our sustainability targets, in-line with global SDGs, going beyond national level to the regional level.

SERVICES

Offering highly specialised services, this Sector operates in areas with immense potential for growth. The Group's longstanding relationships with principals facilitate the expansion of this sector, demonstrating its capability to provide exceptional services to Sri Lankans. Consisting of operations in insurance, elevator agency, facilitation of overseas remittances, and property management, these companies have emerged as prominent players in their respective business segments. The diversification within the sector reinforces steady growth and revenue, as the country progresses towards economic recovery.

Our presence along the value chain (GRI 2-6)

Money Transfer

MMBL Money Transfer plays a vital role in ensuring remittances reach migrant workers' families in a timely manner. Representing three of the largest money transfer franchises, MMBL Money Transfer is the leading player in this segment of national importance.

Principals

» Western Union
» MoneyGram
» Ria

Property Management

This segment owns and manages commercial office premises that provides a safe and pleasant work environment for over 2,000 people.

Revenue	EBITDA	Profit Before Tax
Rs. 2.3 Bn	**Rs. 735.6 Mn**	**Rs. 513.8 Mn**

Insurance

This segment provides highly specialised services in surveys for marine cargo insurance as well as claims processing for globally renowned insurers. Additionally, it also provides insurance brokering and consultancy services for corporates.

Principals

» Lloyds of London
» W. K. Webster
» Tokio Marine & Nichido Fire Insurance Co,
» Mitsui Sumitomo Insurance Group
» PICC Property and Casualty Company Limited

Elevator Agency

The elevator agency segment has over 30 years of experience in providing people-mobility solutions for high rise buildings. A strong reputation and a collaboration with a global leader in elevators and escalators reinforce its leadership in the country's construction sector.

Relevance to Group

Revenue

2%

Profit Before Tax

4%

Total Assets

3%

Total Liabilities

2%

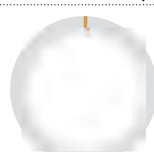
Employees

2%

Emissions, Scope 1&2

9%

Water Consumption



1%

SECTOR REVIEWS
SERVICES

Advancing towards the Group Goals with unwavering commitment

Annual average year on year sustainable profit growth

Money Transfer
- » Acquire new principals
- » Increase number of active sub-agents

Insurance
- » Steady growth in activity

Expand Aitken Spence reach into new geographies and new business segments

Elevator Agency
- » Large private sector projects being floated
- » Growth in equipment maintenance business
- » Enhancement of technical talent pool with vocational training launched at the CINEC Campus

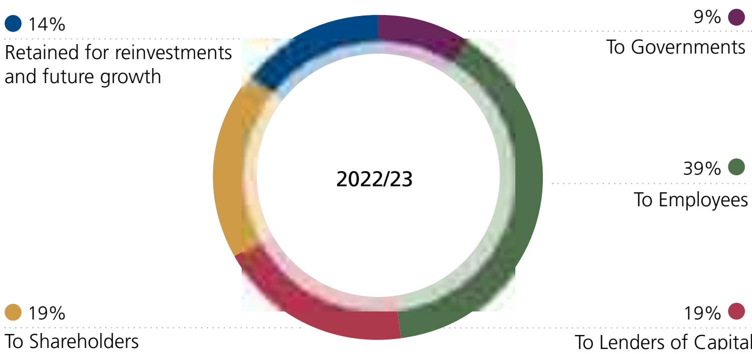
Reduce resource footprint and achieve net zero emission status

- » Process digitisation to reduce paper consumption
- » Focus on process controls for energy and water efficiency

Employer of choice

- » Building a diverse talent pool across all segments to drive business growth and productivity
- » Fostering diversity and inclusion among employees to promote a equitable and innovative workplace

Value added statement (GRI 201-1)



In the year, the Services Sector created value of Rs. 1.2 billion. Its labour-intensive operations were evident in the distribution of value, with the highest portion, being 39% of the total, allocated to its employees. Shareholders and lenders of capital received 38% of the value created, divided equally between them at 19% each. Governments were allocated a 9% share.

Socioeconomic Impact (GRI 201-1,203-1,2)

Rs. 50.1 Bn
Facilitation of foreign exchange inflows to the country

Rs. 195 Mn
Taxes paid to Governments

252
Employees

15%
Female Participation in labour force

Rs. 2.6 Mn
Investment in Training and Development

130
New Customers served

Value to Stakeholders

Rs 1.2 Bn
Value Created

Rs 485.8 Mn
Value Created for Employees

Rs. 1.0 Bn
Payments to suppliers and business partners

Rs 236.9 Mn
Dividends Paid to Shareholders

Rs 3.1 Mn
Investments in Sustainability Processes

Delivering Strategy

Within the Service Sector, there was a 3.3% decline in revenue, reaching Rs. 2.3 billion, primarily driven by a decrease in the elevator segment. However, positive growth was observed in the money transfer, insurance, and property segments. As a result, the decline in the top line led to a 27.4% decrease in profit before tax, totalling Rs. 513.8 million, compared to the previous figure of Rs. 708.0 million.

The revenue of the insurance segment grew by 28.3%, leading to the highest profits ever achieved. The increase in the top line was mainly due to the growth in the number of marine insurance surveys handled during the year and the devaluation of the rupee against the USD, resulting in higher premiums for the insurance policies. Additionally, the uncertain socioeconomic climate in the country prompted more individuals to opt for insurance coverage.

The property segment experienced a recovery this year compared to the previous two years as many businesses resumed operations in the offices after remote working.

MMBL observed higher volumes compared to the preceding year, despite experiencing a reduction in pre-tax profits due to foreign exchange losses resulting from the rupee appreciation towards the year-end. Nonetheless, the amplified volumes enabled the company to absorb the losses and generate a substantial profit for the year, albeit lower than the previous year.

The construction industry faced severe challenges throughout the year. This was triggered by import restrictions on construction materials and overall socioeconomic uncertainty in the country, which was worsened by the rupee depreciation. The elevator segment witnessed a revenue decline and incurred losses for the year. The exchange rate volatility, coupled with intense competition, rendered pricing of contracts exceedingly challenging. The prolonged delay in receipts from government contracts further strained the working capital, resulting in increased finance costs.

Nurturing Our Capitals (GRI 3-3,203-1)

Financial Capital

- Revenue of Rs. 2.3 Bn
- Net assets (including investments in equity accounted investees) of Rs. 3.2 billion

Social & Relationship Capital

- Vocational training infrastructure in a specialised field facilitated for the youth of Sri Lanka
- Growth in customer base and channels

Intellectual Capital

- The implementation of digital monitoring for maintenance and repair services
- Digitalisation to drive efficiencies and enhance service levels

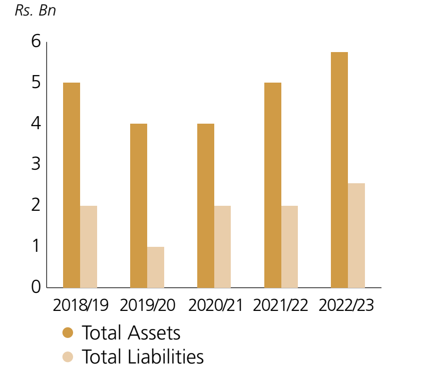
Natural Capital

- Focus on energy efficiency within our office premises collaborating with the NCPC

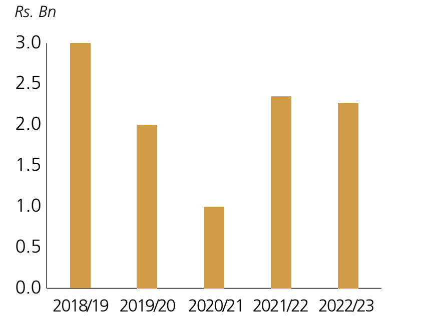
Human Capital

- Investments in creating talent pools
- Staff Training and development of 11,742 hours with an investment of Rs. 2.6Mn

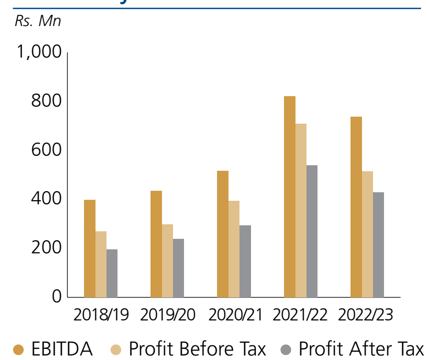
Stability



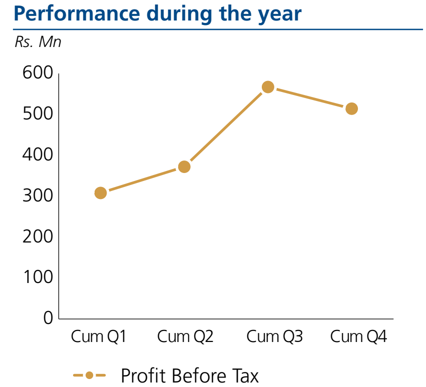
Revenue



Profitability



Performance during the year



SECTOR REVIEWS
SERVICES

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

	2022/23	2021/22	YoY (%)
Revenue (Rs. Mn)	2,270	2,347	(3)
EBITDA (Rs. Mn)	736	820	(10)
Profit before tax (Rs. Mn)	514	708	(27)
Profit after tax (Rs. Mn)	429	539	(20)
Total assets (Rs. Mn)	5,746	4,752	21
Total liabilities (Rs. Mn)	2,550	1,879	36
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B			
Number of Employees	252	265	(5)
Employee female representation	15%	12%	25
Employee benefits paid (Rs. Mn)	486	403	21
Training hours per employee	47	18	161
SDGs towards which the Sector's performance contributes:			
Targets: 4.3, 4.4, 4.7, 5.1, 5B, 12.b			
Investment in training (Rs. '000)	2619	919	185
Brand stewardship	4	4	-
Number of certifications	3	3	-
SDGs towards which the Sector's performance contributes:			
Targets: 8.5, 8.8, 8.10, 12.b			
Number of joint venture/ equity partnerships	3	3	-
Number of suppliers screened on ESG within the year	61	55	11
SDGs towards which the Sector's performance contributes:			
Targets: 8.4, 9.4, 12.2, 12.5, 12.6, 12.8, 12.b			
Total energy consumption (GJ	9,717	5,848	66
Scope 1 emissions (tCO2e)	6,861	6,817	1
Scope 2 emissions (tCO2e)	1,440	792	82
Emissions reduced or offset (tCO2e)	4	6	(33)
Total water withdrawn (m3)	5,619	5,792	(3)
Total amount of solid waste kept away from landfills			
(Tonnes)	9	17	(47)
(Units)	76	84	(10)
Total investment in sustainability driven processes (Rs. Mn)	3	1	300
SDGs towards which the Sector's performance contributes:			
Targets: 9.1, 9.4			
Property, Plant & Equipment (Rs. Mn)	3,231	2,831	14
Investment in manufactured capital (Rs. Mn)	18	13	38

Alignment to SDGs

Quality education

- Training, education and leadership development initiatives enabled for employees
- Enriched vocational training opportunities enabled for students in the country partnering with CINEC Campus

Gender equality

- Employee engagement across the Sector to promote diversity, equity, and inclusivity

Clean water and sanitation

- Management systems maintained to monitor and manage sustainable water consumption

Decent work and economic growth

- OHS and labour standards maintained across the Sector
- Management systems maintained to increase resource efficiency and prevent pollution

Industry innovation and infrastructure

- The Sector provides support services to develop reliable, sustainable, and resilient infrastructure

Responsible consumption and production

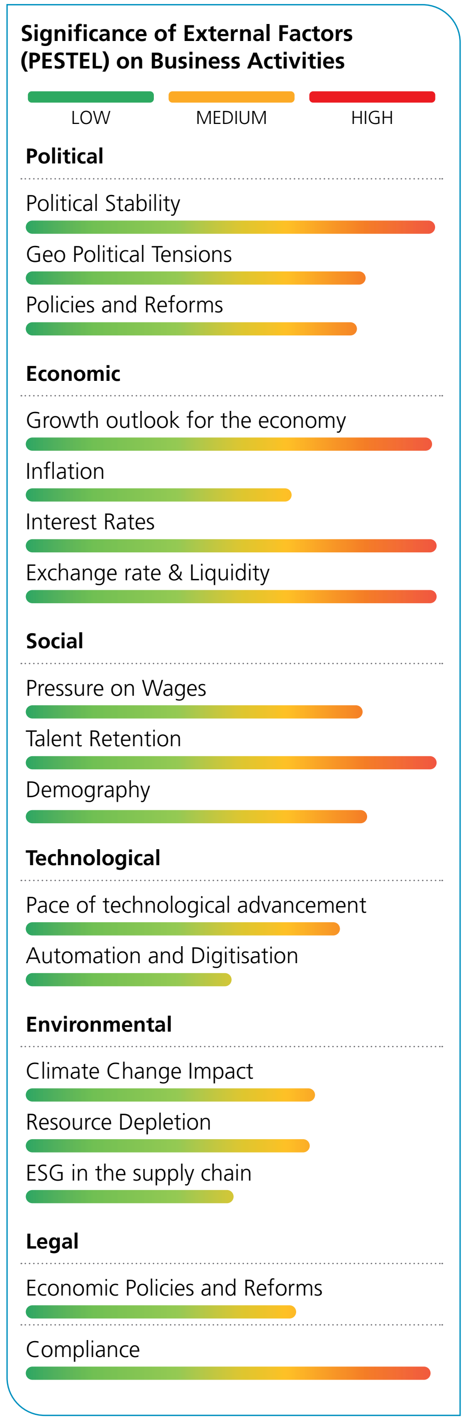
- Aligned to the 7R Principles, the Sector works to ensure zero-waste-dumping to landfills and increase resource efficiency to contribute towards a circular economy

Please refer to more details provided in pages 387 to 394 and the overview of the integrated sustainability policy and its alignment to the SDG given in the annexures of this report.

Navigating the Future: Strategic Outlook for Growth

The disbursement of the first tranche of the IMF loan has improved the economic stability in Sri Lanka, benefiting sectors such as money transfer, insurance, and construction. Higher migration of Sri Lankans moving out of the country is expected to lead to increased money transfer and growth in insurance industry. Additionally, the proposed release of import restrictions is expected to revive the construction industry by providing access to a wider range of construction materials. Overall, the segments are well-positioned for growth in the coming year.

For a more detailed overview of the future outlook relevant to the segments, refer to the respective segment reviews.



SECTOR REVIEWS
SERVICES

Insurance

The Insurance segment comprises of Aitken Spence Insurance Brokers (Pvt) Ltd., and Aitken Spence International Consulting (Pvt) Ltd., with operations in Sri Lanka and the Maldives. The segment has a long-standing relationship with Lloyd's of London which was initiated in 1876, as well as representing companies such as WK Websters, Tokio Marine & Nichido Fire Insurance Co, Mitsui Sumitomo Insurance Group PICC Property and Casualty Company Limited.

As representatives of international giants in the insurance sphere, the segment carries out marine cargo, hull & machinery inspections survey claim settlements, insurance brokerage, risk management and other ancillary insurance consulting services.

Our presence along the value chain (GRI 2-6)

Industry Overview

The insurance industry remained resilient despite the turbulence in the operating environment. Gross premiums increased by 13% for both life insurance and general insurance categories. Fire insurance and Marine insurance saw the largest growth between 2021 and 2022 with 45% and 32% increases, respectively. The importance of the insurance industry as a risk absorber was underscored amidst the economic uncertainty and the highly charged political environment during the year, resulting in growth in demand as well as premium rates.

Gross Premiums	2021	2022	% change
Life Insurance	296,698,859	334,170,778	13
General insurance	269,625,560	308,007,148	14
- Motor insurance	149,721,516	162,696,624	9
- Fire insurance	30,074,943	43,507,225	45
- Marine insurance	7,541,486	9,970,594	32
- Health insurance	46,698,741	50,042,553	7

Zero
workplace injuries

Zero
non-compliances with laws and regulations

100%
paper waste recycled

Claims during the year also increased with Motor insurance claims being the largest proportion, as travel restored to pre-pandemic levels. Health insurance claims followed closely behind.

Claims	2021	2022	% change
Life Insurance	109,261,350	139,847,115	28
General Insurance	119,494,664	153,669,981	29

The insurance sector saw an increase in profits with the general insurance category seeing a growth of 49% between 2021 to 2022.

Profits	2021	2022	% change
Life Insurance	46,685,943	51,948,485	11
General Insurance	46,616,996	69,384,409	49

Source: Insurance Regulatory Commission of Sri Lanka

Insurance penetration remains relatively low in the country and there is significant potential for growth, provided there is an improvement in disposable income.

Delivering Strategy

The segment delivered a strong performance with a top line growth of 28.3% and profit growth of 47.3% in 2022/23. The increase in revenue was driven by strategies to increase US dollar revenue streams and diversify into new revenue streams. Concerted efforts were also placed to successfully retain 100% of the current client base and increase survey volumes. The dual impact of the devaluation of the rupee and increased asset values provided a boost to gross premiums. Accordingly, the segment increased its share of the survey market to over 60% by leveraging its long-standing reputation and partnerships with global principals. These strengths also assisted in securing the surveying of shipments for a number of global organisations providing humanitarian assistance.

The insurance industry is highly competitive, and the segment has continued to increase its market share through digital marketing and excellent customer service. The segment continues to focus on enhancing the skills and technical knowledge of employees through training programmes and exam accreditations from its global partners as well as local authorities such as the Sri Lanka Insurance Institute and the Ceylon Chamber of Commerce. The emphasis on

Key Initiatives Implemented

Customer Focus

- Customer retention through transparent communication on policy conditions
- Superior cargo claims management - issuing survey reports in line with Principals' Service Level Agreements (SLA)

Employees

- Internal and external training and knowledge sharing sessions conducted by insurers for skills development.
- Cost reduction initiatives such as semi-virtual-mobility and route planning were adopted.

Efficiencies

- Developed SOPs with the support of an external consultant and the Group HR Division.
- Implemented a front-end client management system.

Environmental

- Systemic interventions maintained to reduce resource footprint

Highlights of Value Created to Stakeholders

Safe and conducive workplace enabled for all Spensonians to seek personal and professional growth

Resource efficiency increased through digitalisation and process improvements carried out during the year

Connecting the insurance arena of Sri Lanka with global partners as the agent of Lloyds of London for over 125 years

SECTOR REVIEWS

SERVICES

customer centricity was supported by the upgrading of front-end systems and the development of standard operating procedures (SOPs) for employees with an HR specialist together with the assistance of the Group HR Division. The customer-centric approach also included providing clarity to customers on offerings, continuous assessments of customer satisfaction and the speed of handling cargo claims.

The segment continues to focus on regulatory compliance and on the data protection protocols of its principals. Technical requirements of principals are adhered to by completion of compulsory examinations by our employees and virtual audits of survey reports to ensure that international standards are maintained.

Opportunities

The insurance industry has substantial growth opportunities, as economic uncertainty necessitates the need for reputed and reliable insurance companies to share future risks. This includes overseas re-insurers seeking comprehensive risk profiling and assessments as well as local businesses and individuals looking to mitigate future risks. The recovery of economic activity in the fourth quarter is encouraging and is expected to lead to more opportunities for growth.

Risks

Prolonged import restrictions or further contractions of import items may reduce the demand for Marine insurance. The prevailing risks stemming from the country's socioeconomic and political situation could lead to withdrawals from reinsurers. Less opportunities for insurance brokers may prevail with the consolidation between insurance companies as well as increased levels of digitisation.

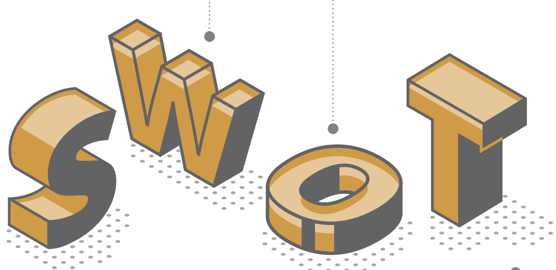
Navigating the Future: Strategic Outlook for Growth

The insurance landscape continues to transition as the nature of risks in the local context evolves at this critical juncture for the country. Low penetration rates indicate potential for growth which may be subdued in the short term by the lower disposable incomes as the country seeks to move past the economic crisis. Agile players with strong customer value propositions and lean operations will be able to gain market share even during this period as customers look for safety nets to manage financial risks.

The segment will realign and reinvent its current customer offerings through increased interactions with existing customers. Digital technology continues to gain traction within the industry, empowering customers and driving efficiency and scale. The segment will look to further enhance the efficiency of operations and make process improvements through greater integration. Increased visibility on digital platforms is expected to increase leads, supporting expansion of the customer base.

Customer service and global relationships are the key strengths of the segment which are expected to outweigh the weaknesses. Investments in human capital will continue through the training of current employees and the recruitment of new, skilled employees to penetrate identified market segments for growth.

Looking ahead, pricing models will need to reflect a forward view of inflation and global risks. Increased focus on data privacy and cyber security risk management is a potential area for growth as threats escalate. Similarly, the segment sees further potential in indemnity insurance and protection, insurance for ships and opportunities in the exports segment, which will be pursued in the short to medium term.



WEAKNESSES

- Relatively low digitalisation of operations
- Dearth of skills in the talent pool for specialised activities

STRENGTHS

- Reputation and expertise in the insurance industry
- Reputed business partners
- Longstanding relationships
- Strength of parent company
- A qualified and competent team
- Over 60% market share in the survey business

OPPORTUNITIES

- Represent reputed overseas insurance brokers and operate as a reinsurance hub
- Diversification to Maldives leveraging our existing footprint in the country
- Growth in the protection and indemnity insurance spectrum
- Scope to provide insurance services in the area of climate change, risk assessment and disaster risk reduction

THREATS

- Change in guidelines by the insurance regulator may impact the current working model
- High dependency on key accounts
- Loss of agencies

Elevators

The segment has been the sole distributor of OTIS, the world's leading manufacturer of elevators, escalators and moving walkways, for over 30 years and operates in Sri Lanka and the Maldives. As a long-standing expert in the industry, the segment is accredited to supply, install, and maintain OTIS products. OTIS is renowned worldwide for its quality and high safety standards, which, coupled with the service excellence and customer-oriented processes of Aitken Spence has made the segment one of the top competitors in the industry.

Created an external talent pool of 30 NVQ level 3 certified elevator technicians

Reduced customer waiting time to zero

Zero non-compliances in external recertification audits

Our presence along the value chain (GRI 2-6)

Locations of Operations
Sri Lanka, Maldives

Certifications
ISO 9001 certified for quality
ISO 14001 certified for environmental sustainability
ISO 45001 certified for OHS
EM 1 Certification

Locations of Operations

Sri Lanka

Certifications
- ISO 9001 certified for quality
- ISO 14001 certified for environmental sustainability
- ISO 45001 certified for OHS
- EM 1 Certification

Maldives

SECTOR REVIEWS
SERVICES

Highlights of Value Created to Stakeholders

Empowering employees with a safe and sustainable workplace conducive to personal and professional growth

Building the next generation of skilled professionals with the elevator training tower

Supporting the infrastructure development of Sri Lanka with state-of-the-art equipment and specialised support services

Industry Overview

Activity in the construction industry in the country declined sharply as the economic crisis unfolded, as it was one of the worst affected industries. Profitability of the industry was affected by import restrictions, high inflation, unavailability of foreign exchange, and exchange rate volatility, which posed a challenge to procure construction materials. Long delays in receiving payment on government contracts resulted in expansion of working capital cycles which proved to be costly as interest rates increased to unprecedented levels. Inflationary pressures on wages, raw materials and other operational costs, power outages and fuel scarcity added to the challenges, making 2022/23 one of the most challenging years in recent history.

The industry was also impacted by the increased manufacturing costs of elevators and spare parts which was worsened by the devaluation of the rupee and increase in freight rates. Due to the prevailing socioeconomic conditions, retaining skilled labour was a challenge as many employees sought opportunities overseas. The pricing of contracts proved to be a significant challenge due to the uncertainty and volatility of multiple factors.

The construction industry faced significant challenges due to government regulations, especially import restrictions, which created uncertainties and a difficult operating environment. Additionally, the industry's fierce competition resulted in price competition, further compounding the situation.

Delivering Strategy

The segment experienced a 13.3% decline in revenue and reported a loss for the year. This was primarily attributed to exchange rate volatility, with the segment starting the year with a foreign exchange loss on the valuation of goods in transit due to the unprecedented depreciation of the rupee in April 2022 and ending the year with an exchange loss on receivables as the rupee appreciated in March 2023. In addition, pricing contracts became increasingly challenging throughout the year, and revenue streams were impacted by reduced demand and increased manufacturing costs of elevators, escalators, and spare parts. However, the segment managed to overcome these challenges with the help of digitalisation and a focus on efficiency. Despite facing increased competition from lower-priced products and services in the market, the segment managed to maintain its position. Managing working capital was critical due to extensive delays in receiving payments, especially from government contracts, and borrowing costs increased significantly due to a rise in interest rates.

Key Initiatives Implemented

Expansion

- New automated, trilingual customer support services unit set up under Aitken Spence Industrial Solutions

Efficiencies

- Integrated all automated systems facilitating workflow automation
- The implementation of digital monitoring for maintenance and repair services resulted in reduced operational inefficiencies and improved customer satisfaction
- Transitioned from a paper-based system to a digital one, where documents are now digitised and stored on a cloud-based document management system.

Employees

- Succession planning and upskilling of employees with the necessary technical knowledge and soft skills

Environment and social

- Contributing towards the development of a green workforce with employee engagement activities to increase social and environmental awareness

Automation of timesheets, maintenance contracts and customer service tracking on the field provided greater insights into operations which resulted in higher productivity. A trilingual call centre was set up to handle customer queries and complaints real time, offering 24/7 customer service which reduced the call back ratio from 4.0 to 3.1. The joint operation with CINEC Campus to create skilled talent pools of elevator technicians became operational and two batches completed their National Vocational Qualifications (NVQ) Level 3 training. Importantly, the 'Spence Way Survey' conducted by Group HR Division revealed that customer satisfaction level was high owing to the customer waiting time being reduced to zero.

Operating in a traditionally male-dominated industry, steps were taken to pave the way to increase female representation. The company launched initiatives such as, leadership training, and flexible working hours to attract and retain female talent, resulting in a more diverse and inclusive workforce.

Navigating the Future: Strategic Outlook for Growth

There is significant uncertainty about the prospects of the construction industry in the country due to the economic situation. However, the segment remains cautiously optimistic, as it has submitted proposals for a few large projects that are expected to be finalised soon. Furthermore, the segment has set a target to achieve 2,000 installations in the country by 2026. To leverage its over 30 years of experience in the industry and brand value, the segment is pursuing diversification into other revenue streams.

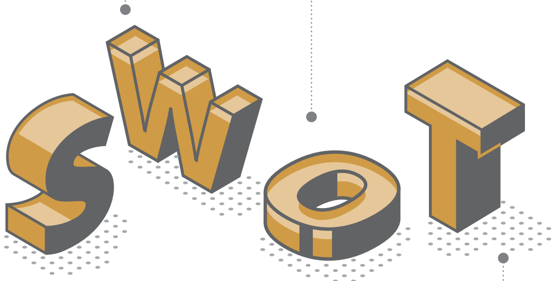
Attracting skilled talent to the industry is a critical factor, and the segment has plans in place to achieve this goal with the support of its collaboration with CINEC Campus. In addition, the segment is exploring further potential to drive efficiencies which is intended to increase profitability. The growth of this segment is driven by a reputed brand coupled with a determined team and is expected to gain greater traction with demographic changes and other favourable market conditions.

WEAKNESSES

- Mass migration of skilled labour
- Requirement for specialised skills

OPPORTUNITIES

- Modernisation of old elevators
- Introducing dumbwaiters
- The shifting demographics in Sri Lanka have led to an increase in the demand for vertical transportation



STRENGTHS

- World reputed brand
- Strength of the parent company
- 30 years of experience in the installation of elevators in high-rise buildings
- Skilled labour
- ISO Certification (9001:2015, 14001:2015,45001:2018)

THREATS

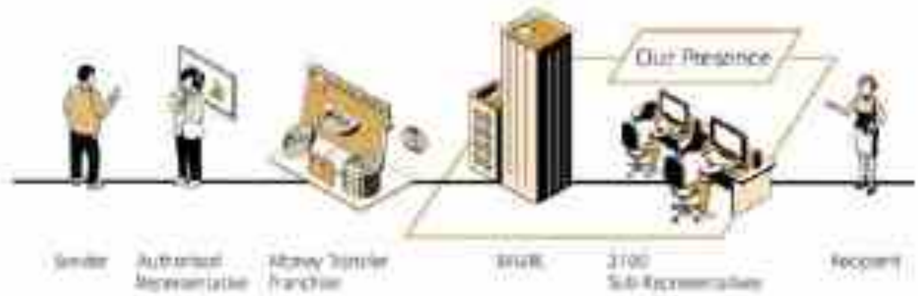
- Increase in manufacturing costs
- Exchange rate fluctuation
- Inconsistent industry related policies

SECTOR REVIEWS
SERVICES

Money Transfer

MMBL Money Transfer (Pvt) Ltd., (MMBL) plays a vital role in the economy facilitating the remittance of funds from migrant workers to their families through an island wide network of over 2,000 sub-representatives. The company established in 1995 is the largest representative of industry giant Western Union in Sri Lanka. It also represents MoneyGram and Ria which are trusted global remittance services. MMBL is the only non-banking institution approved for outward remittances with Western Union by the Central Bank of Sri Lanka (CBSL).

Our presence along the value chain (GRI 2-6)



The Money Transfer segment's activities are predominantly determined by the worker remittances which is the principal source of secondary income for the country. Worker remittances has consistently remained a vital source of income and foreign exchange generator to the country.

Worker remittances through formal channels declined by 40.2% in USD terms during the year 2021/22 as the CBSL set a ceiling on the rate for converting worker remittances. This resulted in the growth of informal channels, which offered more competitive rates. However, the floating of the rupee and coupled with special incentives offered by the CBSL, supported a gradual increase in worker remittances during the year 2022/23, although they have not yet reached the levels achieved prior to 2021. Typically, the Middle East accounts for over 50% of the total remittances, with the European Union accounting for approximately 18%.

CBSL established the 'Foreign Remittances Facilitation Department' and introduced incentive schemes to facilitate worker remittances through banking channels. Lanka Remit, a mobile application, was launched by Lanka Clear with the participation of most banks.

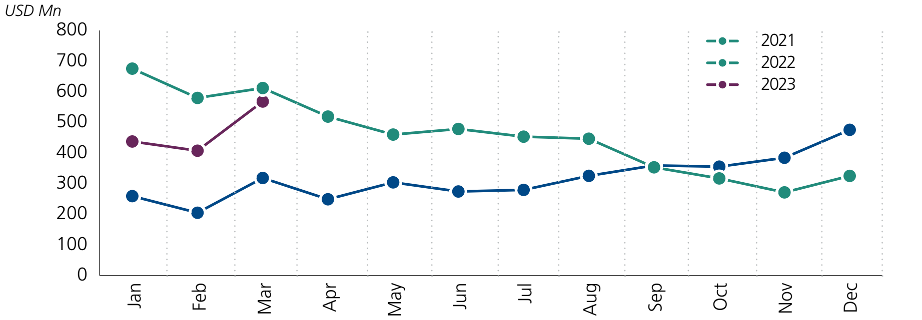
Highlights of Value Created to Stakeholders

MMBL Money Master is the largest inward remittance representative in the country with a nationwide network of over 2,000 distributors.

Empowering migrant workers with easy access to their finances with an extended network of MMBL service touch points as the largest

A fast, convenient, and reliable service to our 45,000+ customers with extended operating hours, including holidays

Foreign Remittances



Source: Central Bank of Sri Lanka

Delivering Strategy

The Money Transfer segment recorded a solid performance despite the growth of the grey market due to the unparalleled network of over 2,100 sub-representatives located in all districts of the country and its linkages with the world's three largest money transfer franchises. Our distributor network comprises of banks, non-banking financial institutions, co-operative rural banks, corporates, money-changers, and retail outlets including agency post offices. However, Despite higher transaction volumes this year compared to the previous year, the profitability of the segment was lower. This was because the segment reported a higher gain on foreign exchange during the previous year, which was a result of a sharp devaluation that occurred in March 2022. In contrast, the rupee appreciated in March 2023, resulting in lower gains on foreign exchange.

MMBL's reputation as a fast, reliable and customer-friendly service provider with convenient access throughout the country is a critical competitive advantage. Overall, the market share increased from 52% to 60% during the financial year. Western Union cash-to-cash transactions declined by nearly 5% during the year while the direct-to-bank operations recorded strong growth of 34%. MoneyGram and Ria recorded growths of 37% and 32% respectively in terms of the number of transactions as the market awareness about these products improved. However, the value per transaction in USD terms declined during the year with the cash to cash channel recording a decline by 24% and 7% in the direct-to-bank channel. The transaction value in USD terms of MoneyGram also declined by 7% during the year while Ria recorded a 63% increase during the year.

The recipients of remittances and our sub-representative network are our main customers. During the year we engaged with the sub representative network to better understand the market dynamics, conduct awareness and motivational programmes and introduce new standard operating procedures (SOP) for improved customer service. The SOPs facilitate a consistent process that will effectively help customer service representatives to provide services efficiently within the stipulated time frames at island wide MMBL Money Master locations. "Money Master Rewards," the mobile application driven sub-representatives' loyalty programme was launched during the year to motivate and reward sub representatives while earning points for special benefits. This was launched at the MMBL Money Master Awards Night which was held in February 2023 to recognise high performing sub-representatives.

MMBL is proud to have partnered with the World Food Programme of the World Food Organisation to transmit remittances to differently abled individuals and nursing mothers in all provinces through the Western Union network. Additionally, MMBL maintains an environmental management system that aligns with the Group's requirements and helps reduce resource consumption.

Key Initiatives Implemented

Efficiencies

» A cloud-based document management system in the pipeline to convert manual files of 2,000 sub-representatives to digital format

Employees

» Strengthening team through succession planning, training needs identification and skills development

Customers

» Newly introduced customer relations call center with 24/7 hotline access

» Introduced a sub-representative loyalty programme

» On boarded new sub-representatives and re-activated inactive sub-representatives

Environmental & Social

» Systemic interventions maintained to increase resource efficiency

» Donation of school supplies to 672 under privileged children in eight locations island wide

SECTOR REVIEWS
SERVICES

Navigating the Future: Strategic Outlook for Growth

With a customer base of over 45,000 island wide, we supply a right next door, fast, convenient, safe and reliable service to the customer with extended operating hours including holidays. As the country's economic crisis resulted in increased economic migration, we expect a significant increase in foreign remittances. Total foreign migrants in 2021 was 122,264 and in 2022 was 311,269 reflecting the growth potential for this segment. However, targeted campaigns are necessary to attract migrant workers and their families to the MMBL networks. To increase the effectiveness of the marketing teams, the segment is in the process of developing a business intelligence tool to monitor sales staff and drive growth. The segment plans to expand the network of sub-representatives to 3,000 from the current 2,100, enhancing service levels and reach. We are also in discussions with new principals to expand our global networks. A customer loyalty programme was introduced in April 2023 to increase the volume and value of transactions processed through MMBL.

The economic importance of this source of foreign currency to the country will support growth of this sector in the years ahead and MMBL is well positioned to capitalise on its growth.

Target : 8.10

500,000 +

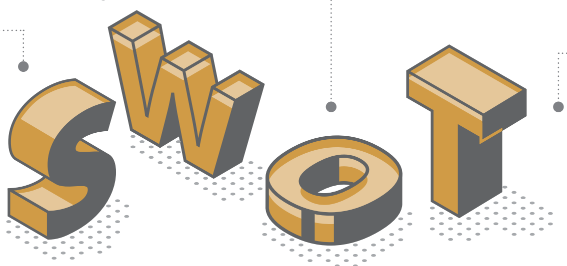
Transactions of Inward Remittance

WEAKNESSES

» Upskilling required in the wider networks for digitisation
» Restrictions in operating remotely (MoneyGram/Ria)

OPPORTUNITIES

» Partnerships with other money transfer services
» Growth in districts with high migrant workers
» Diversification in to E-Wallets and E-Commerce platforms.



STRENGTHS

» Representing the top three money transaction services in the world in Sri Lanka
» Largest sub-representative network in the country
» Uninterrupted services
» Expertise in remittance

THREATS

» Informal channels of remittances
» Competition from financial institutions
» Inconsistent policy frameworks.

Property Management

The property management segment owns and operates Aitken Spence Towers which houses the head office of the Group. Comprising of two towers, this premium commercial building has over 194,000 square feet of modern commercial space with over15% leased to third parties outside the Group. The premises are located in the heart of Colombo's commercial district with sufficient parking, in close proximity to all essential services.

Zero
workplace accidents

4.4 tonnes CO2e
emissions reduced
(by recycling paper waste)

8.7 MT and 76 units of waste
safely disposed

02 New customers

Our presence along the value chain (GRI 2-6)

Demand for Colombo's commercial real estate declined due to the continuing economic crisis and an abundance of available space as a significant number of high-quality commercial spaces were added during the past two years. Potential lessees have been deterred due to the devaluation of the rupee that has resulted in an emerging trend of dollar-based rentals. Post lockdowns, there is a decrease in the demand for commercial office spaces which has made this segment highly competitive and price sensitive. At the close of the year, there are a considerable number of commercial spaces that are vacant. There has been a demand for open-office spaces providing flexible, more cost-effective options for business incubator companies, start-ups and subscription-based space rentals for freelance individuals with central facilities provided.

Future projects are likely to have a much higher cost of construction due to the increasing costs of construction materials resulting from the devaluation of the rupee. The prevailing high cost of borrowing has also contributed to increasing construction costs. These factors discourage new entrants and prevent overcrowding of the market in the medium term.

Delivering Strategy

The property management segment had a topline growth of 27.4% and a profit before tax growth of 73.6%. The growth in profit and revenue is an increase from the last financial year, however, is a decline compared to pre-COVID performance. The cost of operating commercial spaces increased significantly during the year as electricity and fuel prices increased sharply. Salaries and wages were increased due to inflationary pressures. The segment continued to drive awareness of the need to conserve energy and increase resource efficiency among employees and tenants. An energy audit was conducted by the National Cleaner Production Centre (NCPC) to identify areas for improvement. Maintenance work was carried out regularly despite the challenges in retaining skilled workers due to

SECTOR REVIEWS
SERVICES

Key Initiatives Implemented

Efficiencies

» Both towers have shown energy consumption per unit area to be below the national benchmark in commercial buildings

Employees

» High standards maintained for occupational health & safety (OHS) and labour standards

» Refresher briefing on human rights at the workplace conducted for security personnel

Environmental & Social

» Energy audit conducted at Aitken Spence Towers

» Resource efficiency enhanced aligned to the 7R Principle assisted by a state-of-the-art Building Management System (BMS)

migration. The segment maintains routine on-site inspections for OHS and works with the Group HR Division to increase awareness among employees and other stakeholders about safety procedures implemented at the premises.

Outlook

As the economy recovers, we expect the demand for commercial space to increase significantly in the medium term. Price competition is likely to intensify but it is likely that the Group's property management segment will benefit from the higher prices demanded by new operators as the market moves to a new equilibrium. Maintenance of interiors, facilities and external appearance will be key to ensuring that we will be able to remain competitive in the market for commercial space. We will continue to monitor developments in this evolving market to position ourselves as a reliable provider of premium commercial real estate.

STRENGTHS

» Strategic location
» State-of-the-art building
» Proximity to Fire Department and General Hospital
» High standards of security procedures
» Strong relationships with existing tenants

WEAKNESSES

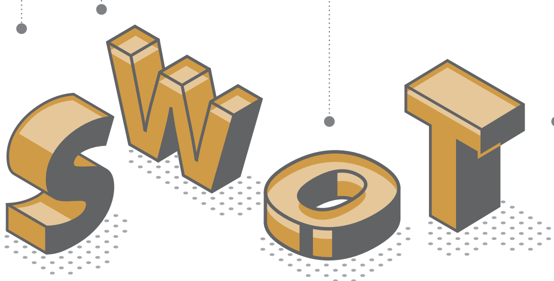
» Increased costs of operation
» Increased competition

OPPORTUNITIES

» Open office/ flexible work spaces
» Central positioning of the building and the access to facilities and support services of the segment makes it an attractive commercial space for new market segments

THREATS

» Increase in commercial space availability
» Shortage of skilled labour
» Emergence of hybrid working models subduing demand.



FINANCIAL CAPITAL

Aitken Spence PLC recorded strong revenue growth of 79.4% to Rs.98.1 billion reflecting its determination to drive performance, gaining market share across sectors in a year of seismic movements on multiple aspects of the economy. The impact of tightening monetary and fiscal policy is reflected across all profitability indicators as a result of inflation, interest rates, exchange rates, and taxation moving in tandem to exert pressure on margins. The volatility and uncertainty in the business climate during the year necessitated careful management of multiple stakeholder concerns while constantly recalibrating liquidity, returns and growth to adjust to realities of the macroeconomic environment.

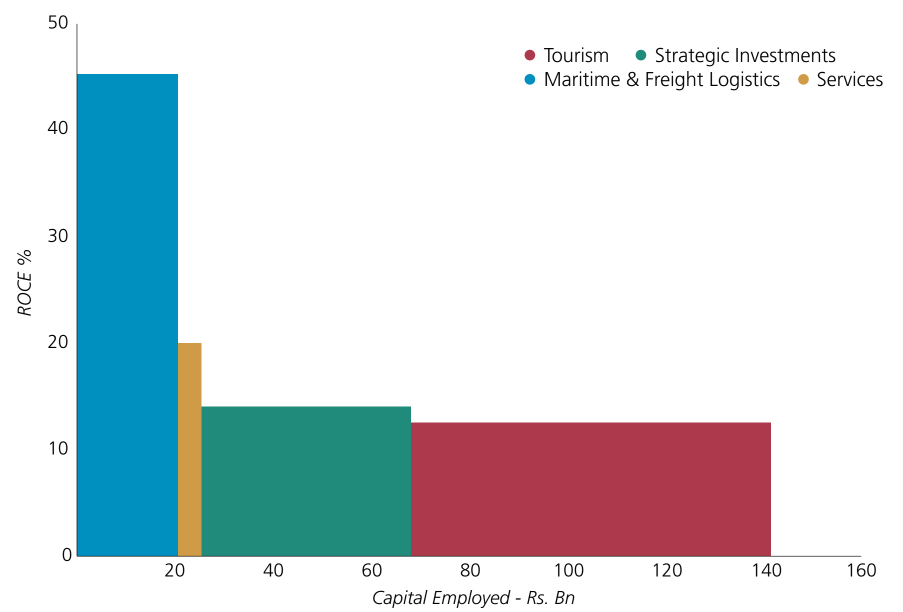
Strategic Priorities	Key Achievements 2022/23	Future Focus
» Concentration of Investments in priority sectors of the economy such as renewable energy » Diversification into new geographical locations and new business segments » Ensuring investments meet identified hurdle rate of the Group » Management of cost structures. » Annual average YoY sustainable profit growth of 10% by the Group	» Acquisition of Sagasolar Power (Pvt) Ltd., a ground mounted solar power plant for Rs. 1.4 billion » Repayment of interest bearing loans and borrowings of Rs. 9.5 billion » Increase of 15.8% in profit from operations » Return on Equity of 9.5% » Improvement in the debt to equity ratio by 14.4%	» Maintaining a constant emphasis on liquidity and foreign exchange management to maximise the Group's pre-tax profit. » Sustaining investments in ventures that will drive the Group's growth and meet the identified hurdle rate » Implementing operational transformations to enhance efficiency and productivity across all business segments, thereby improving operational profits

Investment Philosophy

Aitken Spence PLC invests primarily in projects that are aligned with the country's priority sectors and sectors of strategic importance to Sri Lanka. The projects are typically linked to increasing foreign exchange earnings or solutions to the country's infrastructure needs. Investment decisions are dependent on the investment climate and expected returns above hurdle rates.

Aitken Spence prides itself on having acquired its investments through transparent bidding processes, based on competitive bids where requests for proposals have been issued. Additionally, the Group has maintained a prudent dividend policy for the past 25 years, retaining sufficient funds for growth aspirations, without recourse to new funds from shareholders.

Portfolio Returns

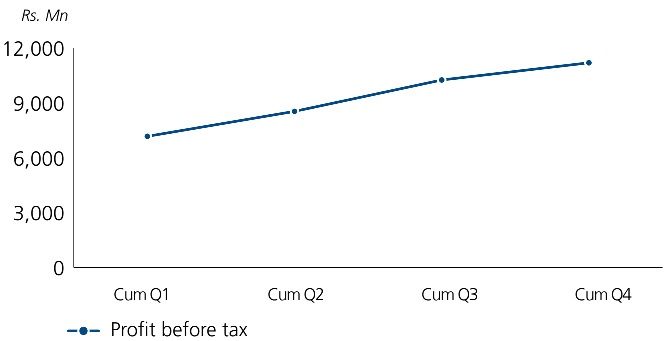


Value To Shareholders

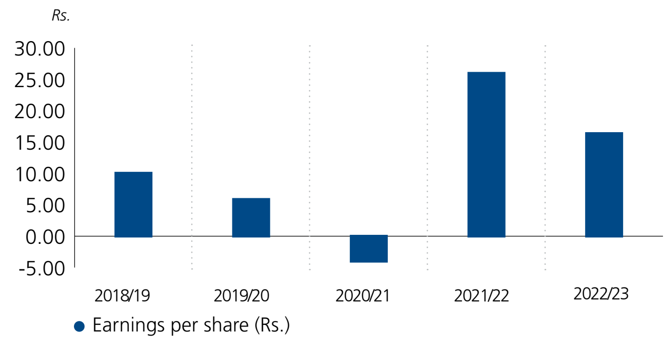
The Group has successfully maintained momentum in providing positive returns to its shareholders, albeit at a lower level than the previous year, due to unprecedented economic factors that affected the country during the reviewed period. The economic crisis that unfolded during the year, along with the resultant tightening of monetary and fiscal policies, heightened inflation, increased interest rates, and shortages of essential energy sources, had an inevitable knock-on effect on business sentiment. Import restrictions and a moderating outlook in advanced economies also resulted in a slowdown in some key sectors of the country's economy. Despite facing numerous constraints, the Group was able to successfully defend its market share in businesses where it remains a dominant player, positioning itself well for future growth.

Earnings

Performance during the year

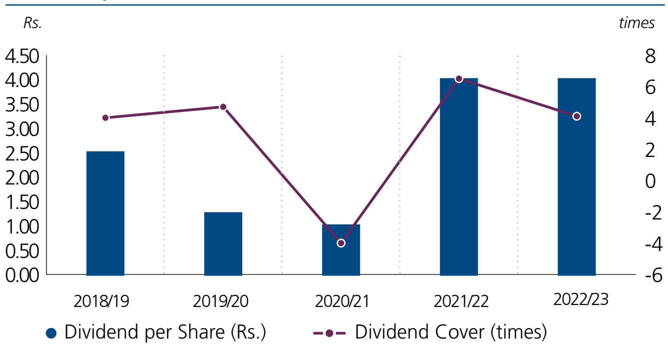


Earnings per Share

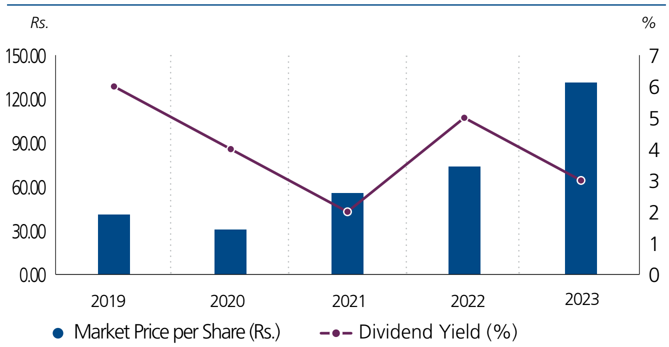


Dividends

Dividend per Share and Dividend Cover

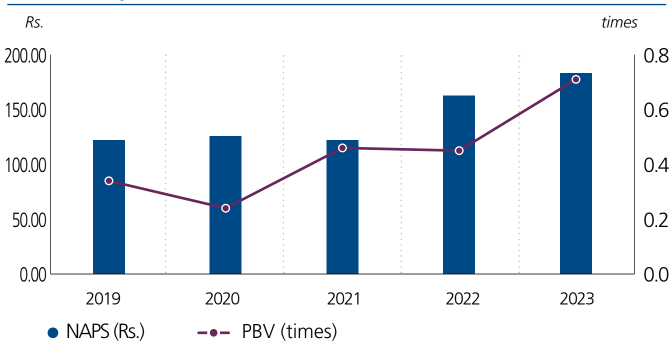


Dividend to Market Price *(as at 31st March)*

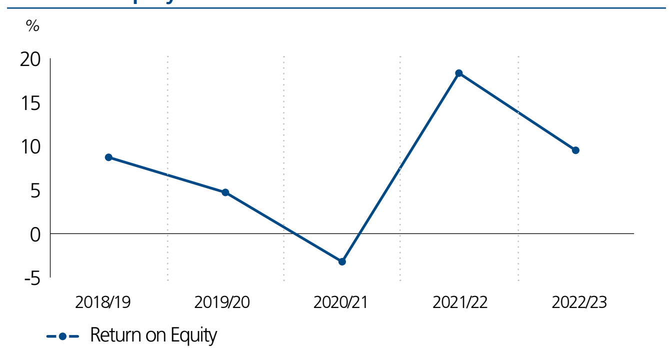


Growth

Net Assets per Share vs Price to Book Value *(as at 31st March)*



Return on Equity



Revenue

Group revenue increased by 79.4% to reach Rs. 98.1 billion, with the Tourism, Maritime & Freight Logistics, and Strategic Investment sectors experiencing robust growth rates of 89.2%, 55.5%, and 108.4% respectively. However, the Services Sector saw a slight decline in revenue, primarily due to the sluggish performance of the elevators segment, masking the strong growth achieved by the insurance and money transfer segments.

The significant devaluation of the Sri Lankan rupee played a crucial role in bolstering revenue, while key segments such as Maldivian hotels, apparel manufacture, liner shipping businesses and overseas port operations played pivotal roles in driving this growth.

The overall revenue generation from the operations in Sri Lanka saw an increase of 73.9% over the previous year mainly owing to the past strategic decisions made by the Group to ensure that most of its local revenue streams are dollar linked.

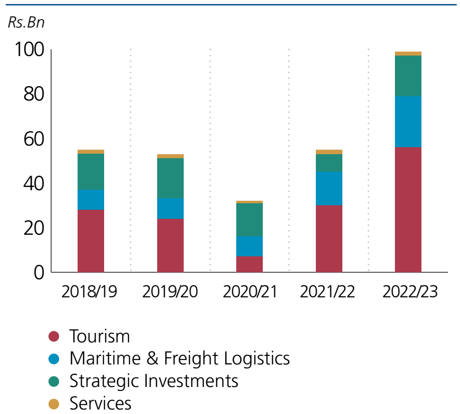
Occupancy of hotels in Sri Lanka plummeted with the onset of social and political instability in the first half of the year, recovering quickly thereafter by the close of the year. Maritime & Freight Logistics sector unlocked value by operating as a unified sector which contributed towards enhancing the customer value proposition.

The share of the revenue generated from operations in Sri Lanka declined from 52.4% of total revenue in 2021/22 to 50.8% in 2022/23 with a corresponding increase in the overseas sectors. The overseas operations contributed to 49.2% of the total revenue of the Group while recording an 85.3% improvement in performance over the previous year. The Maldives and India contributed significantly, representing 40.9% of the Group's revenue, highlighting the benefits of geographical diversification.

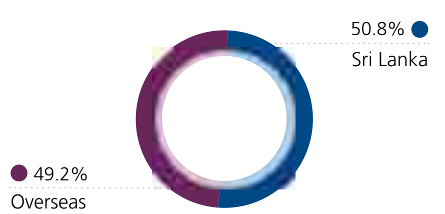
Extract from the consolidated Income Statements

For the year ended 31st March	GROUP 2023 Rs. Million	GROUP 2022 Rs. Million
Revenue	**98,104**	54,696
Revenue taxes	**(1,115)**	(544)
Net revenue	**96,989**	54,152
Other operating income	**2,022**	7,380
Operating expenses	**(80,027)**	(45,145)
Profit from operations	**18,984**	16,387
Finance income	**2,884**	1,161
Finance expenses	**(11,737)**	(4,006)
Net finance expense	**(8,853)**	(2,845)
Share of profit of equity-accounted investees	**1,070**	682
Profit before tax	**11,201**	14,244
Income tax expense	**(3,125)**	(2,068)
Profit for the period	**8,076**	12,156
Earnings per share (Rs)	**16.36**	25.96

Revenue



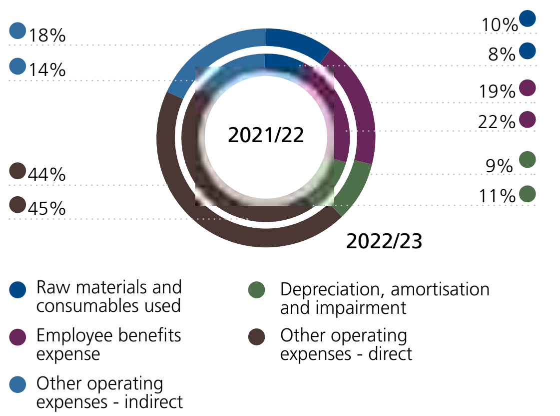
Geographical Analysis of Revenue - 2022/23



Operating Expenses

Operating expenses increased by 77.3% to Rs.80.0 billion during the year as all categories of expenses increased significantly due to inflationary pressures, the price increase in imported raw materials and the conversion impact of dollar-based expenses caused by the steep devaluation of the rupee that was witnessed in the first three quarters of the year. The resumption of normalcy post pandemic, especially in the Tourism Sector, also contributed towards this increase due to higher operational costs being borne as the tourist arrivals increased. The inflationary pressures witnessed during the year remained a cause of concern due to the eroding profit margins that most business segments had to grapple with. However, the financial stability of the Group and its exposure to dollar linked revenue greatly eased the burden of rising costs. Other direct and indirect operating expenses amounting to Rs. 50.0 billion constitute the largest portion of the Group's operating expenses, accounting for 62.5% of the total operating expenses. Employee benefits amounted to 18.9% of the Group's total operating expenditure.

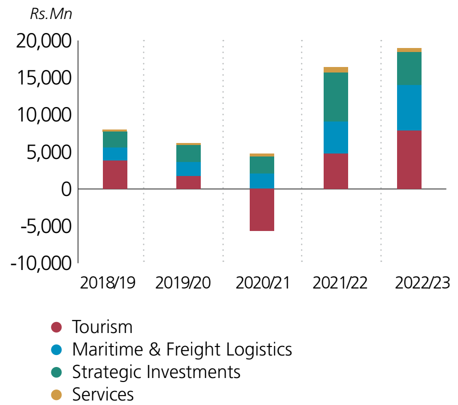
Analysis of Operational Expenses



Operating Profit (EBIT)

The Group recorded an operating profit growth of 15.8% to Rs.19.0 billion. All sectors made a positive contribution to operating profits while the Tourism and the Maritime & Freight Logistics Sectors recorded growth of 65.3% and 40.7% respectively. Operating profits of the Strategic Investments Sector and the Services Sector were impacted owing to the lower foreign exchange gains recorded during the year under review when compared with the significant gains recorded in the previous year. This impact is primarily seen in the Strategic Investments Sector due to the operations of the holding company being included in this sector. The foreign exchange gain at the holding company, that stood at Rs. 4.9 billion the previous year dropped to Rs. 1.7 billion in the year under review due to the comparatively lower devaluation of the rupee. The Group's operating profit, excluding the total foreign exchange gain recorded, witnessed a notable increase of 85.2% compared to the previous year.

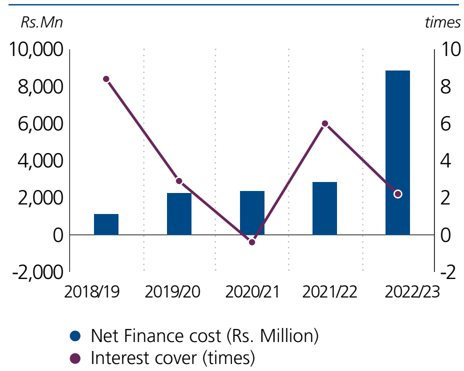
Profit from Operations



Net Finance Costs

Finance income increased by 148.5% to Rs.2.9 billion while finance costs increased by 193.0% to Rs.11.7 billion as interest rates spiked sharply at the beginning of the year and continued to increase during most parts of the year. AWPLR increased from 9.85% in March 2022 to 27.89% in November 2022, gradually declining thereafter to 21.40%. Interest cover decreased to 2.19 times reflecting the impact of high interest rates throughout the financial year. The impact of interest rates was significant on the Tourism Sector as it accounts for 77.9% of the Group's total interest bearing liabilities with the sector accounting for 55.0% of the Group's finance expenses. The Strategic Investments Sector accounted for 41.3% of the Group's finance expenses as higher interest costs on the long term borrowings of the waste to energy plant and extended delays on payments by its sole customer CEB necessitated increased working capital borrowings to manage liquidity.

Net Interest Cost and Interest Cover



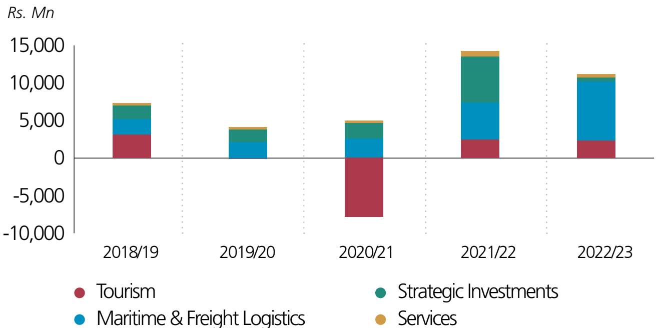
Profit Before Tax

Despite the decline of the Group's pre-tax profit by 21.3% to Rs. 11.2 billion, the positive contributions made by the Tourism and Maritime & Freight Logistics Sectors are worthy of acknowledgement. It is important to note, however, that the Strategic Investments Sector experienced a decrease in pre-tax profit mainly due to the impact of high interest costs and prolonged delays in settlement by the Ceylon Electricity Board and the lower foreign exchange gain reported.

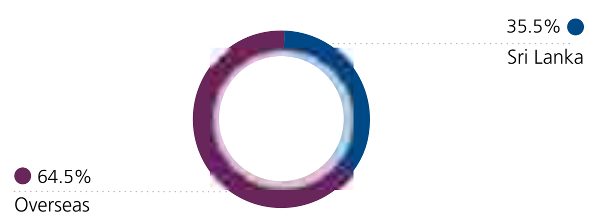
The Tourism Sector recovered in the fourth quarter to deliver a profit before tax of Rs. 2.3 billion as tourist arrivals to Sri Lanka gathered momentum. Though the Sector experienced a decline of 5.1% compared to the PBT of the previous year, it should be noted that this decline was the result of the increase in net finance cost of 143.5%. The primary contributor to the Group's profit before tax was the Maritime & Freight Logistics Sector, representing 69.8% of the total. This sector experienced significant advantages from favourable global conditions that persisted throughout the year. Furthermore, its limited dependence on interest-bearing borrowings protected it from the impact of fluctuating interest rates.

The significant impact of inflation, increased energy costs and rising interest rates is evident in the sharp decline of the proportion of profit before tax attributed to the Sri Lankan sector, which decreased from 64.7% in 2022/22 to 35.5% in 2022/23.

Profit before Taxation



Geographical Analysis of Profit before Tax - 2022/23



How we manage taxation

The Group operates in many countries and incurs a variety of direct and indirect taxes such as corporate income taxes, sales taxes, customs duties, excise taxes, stamp duties, levies, employment tax and many other business taxes. Accordingly, the Group has established and maintains policies and compliance processes to ensure the integrity, accuracy and timeliness of tax returns in all countries where it operates. Continuous engagement with the local tax authorities facilitates clarification and understanding the consequences of new tax legislation in order to ensure proper compliance, minimising tax risks that arise from unclear laws and regulations and varying interpretations. In complex transactions, expert opinion is sought from external tax professionals to ensure we comply with the applicable laws. We ensure that the staff have the necessary training to manage the tax positions appropriately. The Group is also responsible for collecting and remitting advance income tax, Advance Personal Income Tax and Value Added Tax for which returns are filed in a timely manner. This approach to taxation applies to Sri Lanka and all other countries in which the Group operates.

Taxation

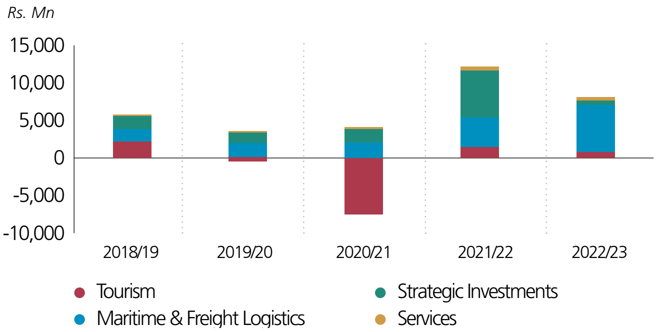
The Group’s tax expense for the year amounted to Rs. 3.1 billion, which is a significant increase of 51.1% over the prior period. This rise can be primarily attributed to a current tax charge of Rs. 2.8 billion and a deferred tax charge of Rs. 336.6 million. As a result, the effective tax rate on Group profits rose to 27.9% from the previous year's rate of 14.5%.

The increase in the Group's tax expenses for the year is primarily due to the implementation of the Inland Revenue (Amendment) Act No. 45 of 2022 in Sri Lanka. This amendment eliminated the concessionary tax rate granted for priority sectors, increasing the tax rate from 14% to 30% in many of the sectors the Group operates. Additionally, the standard tax rate was raised from 24% to 30%. As a result, the effective tax rate on the Group's profits in Sri Lanka rose to 51.1% from the previous year's rate of 9.9%. In order to comply with the Sri Lanka Accounting Standards (LKAS 12 - Income Taxes), the Group adjusted the deferred tax charges based on the new tax rates specified in the Amendment Act. These adjustments take into account the cumulative impact of the tax rate changes for the financial year ending on March 31, 2023. Specifically, the impact of the tax rate change on the opening balance of temporary timing differences amounted to Rs. 1.2 billion.

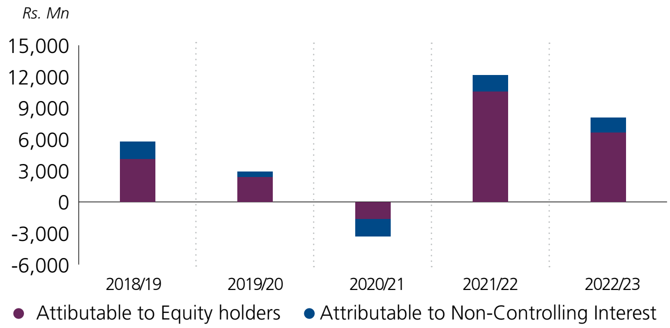
Profit After Tax

The profit after tax experienced a decline of 33.6%, amounting to Rs. 8.1 billion, compared to the previous year's figure of Rs. 12.2 billion, which marked the highest recorded profit in the history of the Group. The Maritime & Freight Logistics Sector emerged as the primary contributor to profit after tax, as depicted in the chart below. This was attributed to the sector's geographical diversification and reduced borrowing, which stabilised its performance and allowed it to benefit from favourable global conditions. On the other hand, the Strategic Investments Sector's contribution to the annual profit was comparatively lower due to a combination of factors such as a decrease in foreign exchange gains during the year and higher interest costs associated with project loans taken for the power segment, and at the parent company..

Profit after Tax



Distribution of Profit After Tax



Growth

The Group's total assets reached Rs. 214.3 billion by March 31st, 2023, indicating a growth of 8.6%. This increase can be primarily attributed to the increase in property, plant, and equipment (PPE). The growth in PPE is mainly a result of the revaluation of assets held in foreign currencies, which amounted to Rs. 9.0 billion at the end of the year. In addition, the revaluation of freehold land and the acquisition of Sagasolar Power (Pvt) Ltd also contributed to the increase in PPE. The Group's inventory also increased to Rs. 5.3 billion from Rs. 3.8 billion, an increase of 36.7%.

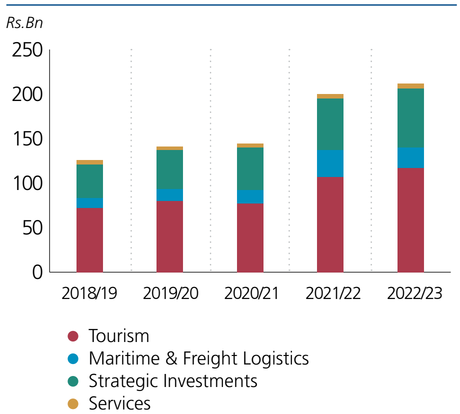
The Group managed liquidity and working capital astutely during the year as credit risks escalated with the economic downturn. Current assets increased by 9.7% to Rs. 74.2 billion as inventories and other current assets increased. The inventories experienced a notable increase, with a significant rise observed in the printing and packaging as well as the apparel manufacturing segments. This increase was due to a conscious management decision taken to mitigate the negative impacts of the import restrictions and the foreign exchange crisis, on supply chain disruptions occurring both locally and globally. Though this increased the cost of stock holding in the respective segments, it proved to be a vital contribution to the uninterrupted continuation of operations during a time where many manufacturers faced difficulties in accessing the required raw materials and foreign exchange for importation.

Effectiveness of controls over credit risk is evident in the marginal movement in trade and other receivables which amounted to Rs. 21.2 billion despite it including the overdue receivables from CEB amounting to Rs. 7.5 billion, without which the number would have decreased significantly. The Group's current ratio remains healthy reflecting the effective management of working capital although it declined from 1.35 to 1.28.

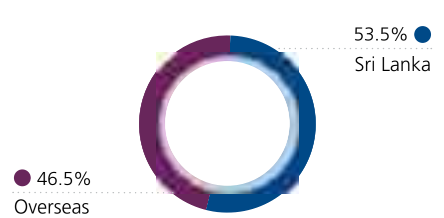
Extracts From Consolidated Statements of Financial Position

As at	31.03.2023 Rs. Million	31.03.2022 Rs. Million
Non-current assets	**139,964**	127,930
Property, plant and equipment	**105,499**	95,810
Right-of-use assets	**19,137**	18,845
Investments in equity-accounted investees	**9,238**	8,564
Current assets	**74,204**	67,664
Inventories	**5,274**	3,859
Trade and other receivables	**21,244**	21,136
Other Current assets	**27,073**	25,128
Cash and short-term deposits	**16,216**	15,344
Assets classified as held for sale	**169**	1,751
Total assets	**214,338**	197,346
Equity Attributable to Shareholders	**74,404**	65,949
Non-controlling interests	**11,812**	11,497
Total equity	**86,216**	77,446
Non-current Liabilities	**69,969**	66,870
Interest-bearing loans and borrowings	**46,949**	49,275
Lease liabilities	**15,714**	15,835
Current liabilities	**58,153**	50,030
Interest-bearing loans and borrowings	**9,619**	8,677
Lease liabilities	**1,831**	1570
Trade and other payables	**22,769**	29,507
Bank overdrafts and other short-term borrowings	**22,791**	9,617
Total equity and liabilities	**214,338**	197,346
Net asset per share (Rs.)	**183.26**	162.44

Total Assets



Geographical Analysis of Total Assets - 2022/23



Resilience

The proportion of total assets represented by equity, including minority interest, was 40.2%, while the total non-current liabilities accounted for 32.6% of the assets. The minority interest specifically represented 5.5% of the total assets. As a result of the efforts taken to reduce its interest costs, the Group's debt-to-equity ratio decreased from 0.64 to 0.54.

As at 31st March	2023	2022
Net Assets Per Share (Rs.)	**183.26**	162.44
Current Ratio	**1.28**	1.35
Quick Asset Ratio	**1.19**	1.28
Interest Cover	**2.19**	6.04
Debt: Equity Ratio	**0.54**	0.64

The Group’s current liabilities recorded a 16.2% increase over the previous year. This was mainly derived from the increase in bank overdraft and other short-term borrowings as a result of the increased working capital funding attributable to the Strategic Investments Sector. Despite a slight decline in both the current ratio and quick asset ratio, the Group maintained a healthy liquidity position in both years,

The net exposure to foreign currency assets and liabilities at the balance sheet date are given along side which reflects a prudent net assets position.

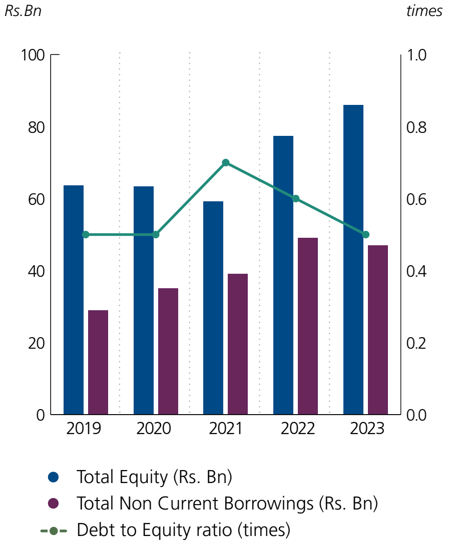
Net Exposures as at 31st March 2023

Assets/(Liabilities)

USD 80.5 Mn

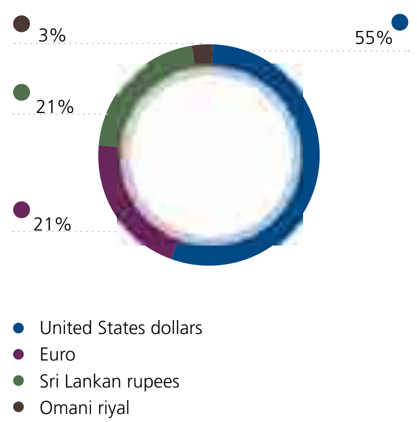
Euro (32.4 Mn)

Debt to Equity Comparison *(as at 31st March)*



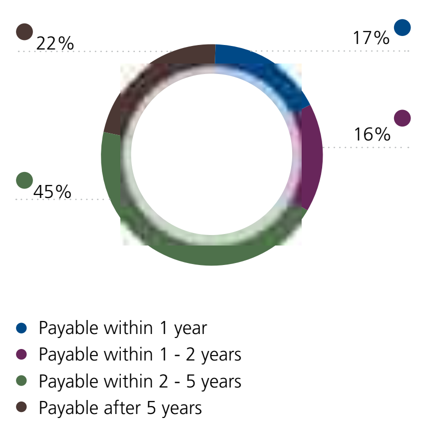
Total Debt Analysed by Currency

as at 31st March 2023



Total Debt Analysed by Repayment Schedule

as at 31st March 2023



Cashflows

Cashflows experienced a decline throughout the year as the economic stress led to tightening credit from suppliers and the increase in receivable from the CEB . As a result, investing activities were controlled, and the increase of debt exposures limited due to high financing costs. Debt repayments increased due to the cessation of some of the loan moratoriums extended by banks particularly to the hotel segment. Consequently, the net cash generated from operating activities decreased significantly from Rs. 21.8 billion in the previous year to Rs. 3.5 billion. The decline can be attributed to the higher interest paid amounting to Rs. 10.2 billion and a decline in the working capital cycle. The net cash outflow from investing activities stood at Rs. 2.1 billion, and the net cash outflow from the repayment of interest-bearing borrowings further impacted the cash and cash equivalents, resulting in a decline from a positive Rs. 5.7 billion to a negative Rs. 6.6 billion by the end of the year.

The Group placed a strong emphasis on efficient cash management and ensuring liquidity in a challenging economic environment, which was compounded by vulnerable external financing, limited availability of foreign currency, and constraints on working capital and trade finance. Recognising the exceptional macroeconomic challenges, the Group maintained a heightened level of vigilance.

Managing the Group's Liquidity Profile

The management of liquidity was considerably challenging during the review period due to elevated interest rates and low liquidity in both USD and Sri Lankan Rupee (LKR) markets. To navigate these conditions and to maintain stability, the Group implemented a strategic approach. By carefully considering interest rates offered by the banks, the Group effectively utilised the approved rupee bank facilities to minimise interest costs and enhance overall financial performance.

A key focus was placed on shortening the working capital cycle to improve liquidity. Diligent efforts were made to follow up with debtors and collect outstanding payments in a timely manner, optimising cash flow and reducing strain on working capital. Despite challenges posed by delayed payments from the CEB, the Group remained resilient and explored alternative solutions to mitigate the impact on its financial health.

Mitigating the Impact of Interest Rate and Forex Movements

The business environment in the early months of the financial year experienced a rapid increase in interest rates and devaluation of the rupee, leading to market uncertainty. Liquidity shortages in both LKR and USD markets further complicated the situation. To address the impact of interest rate fluctuations, the Group closely monitored the interest rate environment and advised its Strategic Business Units (SBU) on appropriate strategies on borrowings. The Group strategically managed foreign currency liabilities to align with foreign currency assets, mitigating the effects of exchange rate fluctuations. However, the utilisation of forward contracts to mitigate foreign exchange risk was limited due to adverse market conditions and regulatory frameworks.

Considering the planned discontinuation of the London Interbank Offered Rate (LIBOR) in 2023, the Group converted a significant portion of its foreign currency-denominated facilities to pricing based on the Secured Overnight Financing Rate (SOFR) during the period.

Value Added to Stakeholders

(GRI 201-1)

The Group through its many diverse activities contributed positively towards the economy of Sri Lanka through a value creation of Rs. 47.6 billion during the year, which was a 42.4% enhancement from the value created the previous year of Rs. 33.5 billion. This growth is directly attributable to the 79.4% increase recorded in Group revenue for the year.

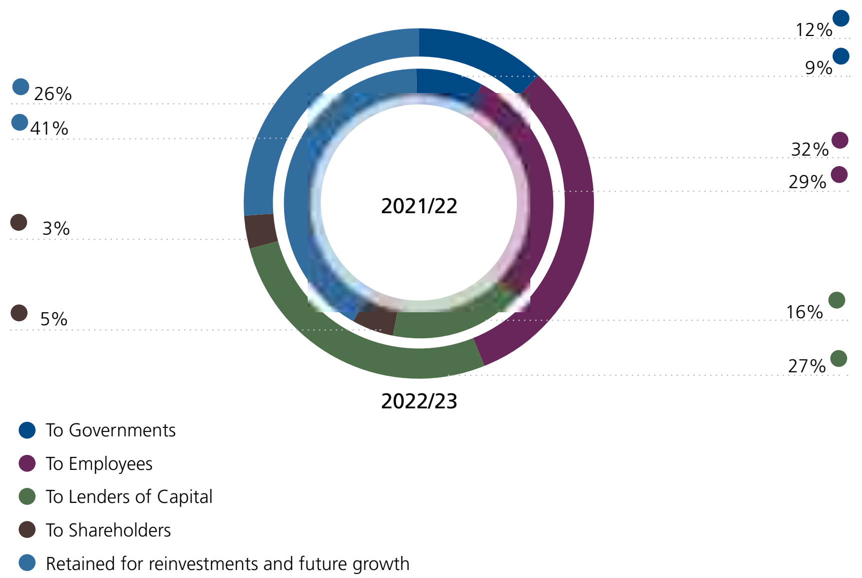
The highest year-on-year increase in the value distribution could be seen in the portion applicable to the lenders of capital which recorded a 134.8% growth over the previous year owing to the substantial increase in interest rates during the period under review. The lenders of capital received a total of Rs. 12.8 billion, amounting to 26.9% of the total value created for the year. The second highest annual increase is seen in the portion distributed to governments which saw a 108.3% increase to stand at Rs. 5.9 billion for the year mainly due to the sharp rise in tax rates in Sri Lanka. This amounted to 12.3% of the total value created by the Group.

A share of 31.8% of the total value created was distributed amongst the Spensonians which was a 55.0% growth over the previous year to amount to a total figure of Rs. 15.1 billion. This increase is mainly seen from the overseas hotels segment due to the post pandemic normalisation of operations and the impact of the devaluation of the rupee increasing the cost at conversion.

The distribution to equity holders was similar to last year, amounting to Rs. 1.6 billion of the total value created with the Group retaining 25.6% of the value created for future expansions..

For the year	2022/23 Rs. Million	2021/22 Rs. Million
Total revenue	**98,104**	54,696
Purchase of goods and services	**(58,055)**	(30,660)
	40,049	24,036
Other operating income	**2,022**	7,380
Interest income	**2,884**	1,161
Share of profits of equity-accounted investees before tax	**2,692**	884
Total value added by the Group	**47,648**	33,461
Distributed as follows		
To governments	**5,862**	2,814
To employees	**15,133**	9,761
To lenders of capital	**12,827**	5,463
To shareholders	**1,624**	1,624
Retained for reinvestments and future growth	**12,202**	13,798
	47,648	33,461

Distribution of Group Value Added



Facilitation of Foreign Currency Generation to Sri Lanka

Aitken Spence has been constantly conscious of the importance of the generation of foreign currency through its activities as a vital source to boost the financial stability of the Group and the economic prospects of the country. In keeping with this commitment, the Group has broad based its investments to span nine other countries, with its assets outside Sri Lanka amounting to 46.5% of the Group's total asset base.

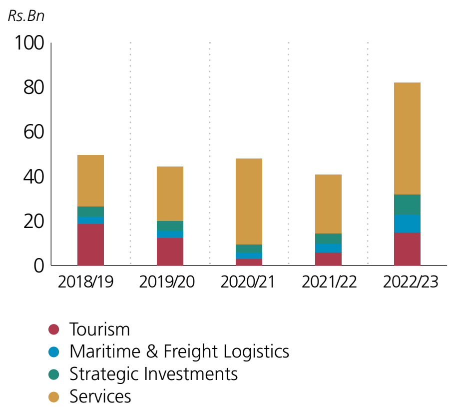
These investments coupled with the business segments that the Group operates in Sri Lanka has continuously facilitated the inflow of foreign exchange to the country. During the year under review the Group's activities contributed towards the inflow of foreign exchange to the equivalent of Rs. 81.9 billion to the country. The largest portion of this was facilitated by the Services Sector which operates the inward money transfer business segment. The Services Sector facilitated the inflow of foreign exchange to the equivalent of Rs. 50.1 billion to the country which was an 88.2% increase over the previous year.

The Sector that was the second largest facilitator of foreign exchange was the Tourism Sector. The revival of tourism during the year was the key factor in this increase recorded. The Sector accounted for an inflow to the equivalent of Rs. 14.7 billion which was an increase of over 150% compared to the previous year.

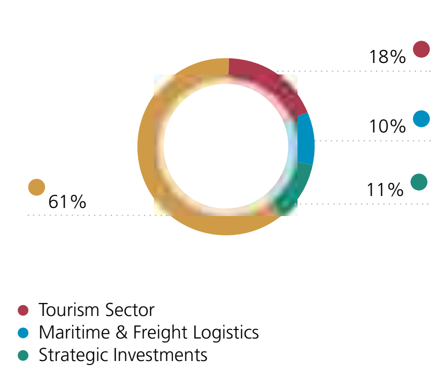
However, the year-on-year increase in rupee equivalent terms has also been impacted due the sharp devaluation of the rupee which was witnessed during the second and third quarters of the financial year with the exchange rate peaking in December 2022 to gradually ease off by March 2023. The exchange rate during the previous financial year remained fairly stable during the first three quarters of the year with the devaluation occurring in the month of March 2022. The Group's facilitation of foreign exchange to the country in dollar terms was also a growth of approximately 15% over the previous year.

for the year ended 31st March	2023 Rs. Bn	2022 Rs. Bn	2021 Rs. Bn	2020 Rs. Bn	2019 Rs. Bn
Tourism	**14.7**	5.7	2.9	12.2	18.6
Maritime & Freight Logistics	**7.8**	4.0	2.7	3.4	3.3
Strategic Investments	**9.4**	4.5	3.6	4.3	4.5
Services	**50.1**	26.6	38.8	24.4	23.2
	81.9	40.8	48.0	44.3	49.7

Facilitation of Foreign Currency to Sri Lanka



Facilitation of Foreign Currency to Sri Lanka - 2022/23



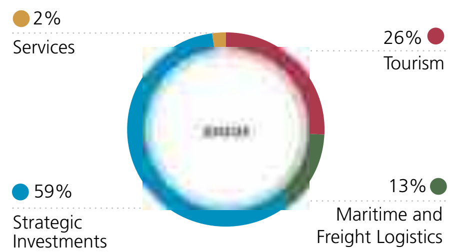
HUMAN CAPITAL

A team of 13,033 Spensonians power our growth and performance creating a formidable competitive edge across diverse industry segments. A comprehensive employee value proposition facilitates employee retention as well as the ability to attract talent to support the Group's aspirations. We continue to focus on honing the skills and competencies of our staff, equipping them to perform effectively and paving the way for career progression. A retention rate of 83% and an average tenure of service of 9 years bear testimony to the effectiveness of our efforts and positions the Group's future growth.

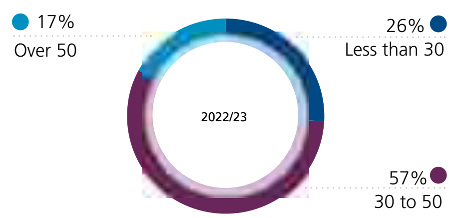
Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
Enhance talent bench strength for leadership and all critical positions	» Identified 135 critical positions & 170 successors » Conducted Talent Reviews aligned to 9-Box Matrix	» Institutionalise a Talent Council » Integrate the new talent philosophy to the PMS framework
Establish an objective based talent management eco-system	» Talent Development aligned to Aitken Spence Behavioural Competency Framework (ABCs) » Leadership development programmes for Senior Leadership & Managerial Teams supporting organisational transformation – 51 Senior Leaders via Executive Development Programme (EDP) – 110 DGMs & GMs via Leadership Excellence & Accelerated Development (Spence LEAD) » 42 First Time Managers via Accelerated Leadership Programme for High Achievers (ALPHA) » "Transcend: Aspire" LMS-based Talent Development for Executives	» Devise segment specific technical competencies » Develop a robust Individual Development Planning process » Review talent analytics & metrics in line with best practices
Attract best-in-class talent using a powerful Employee Value Proposition (EVP)	» LinkedIn Recruiter » Psychometric Testing » Employees Get Employees » Career Fairs	» Revamp the existing EVP » Omnichannel employer / employee branding » Establish strategic partnerships » Relaunch Management Trainee programme
Enable Performance Management (PM) practices to support organisational transformation	» Revision of Performance Evaluation aligned to ABCs » "As is" analysis of current PMS	» Design and implement new PM architecture » Launch an awareness campaign to develop a performance culture
Nurture a value centric organisational culture	» Purpose & Values Campaign	» Launch a programme to recognise value centric behaviour in support of cultural transformation
Focused talent retention for critical mass	» 90% Retention of Critical Mass (Assistant Manager & Above) » Succession Plan strategies » Talent Development Initiatives » LinkedIn Learning » Chats with GCHRO	» Evidence-based HR approach by leveraging predictive analytics » Review rewards & recognition schemes » Talent chats with senior leadership

Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
Enhance employee experience throughout the employee lifecycle	» Voice of Spensonians (VoS) - employee opinion survey » "Spence Delight" welcome pack for new recruits » Office Olympics » Hybrid Spensonian Convention » Online Competitions	» Action VoS survey key findings » Rollout VoS awareness campaign » Develop persona-based employee engagement strategy
Commitment to Diversity, Equity & Inclusion (DE&I)	» Focused DE&I agenda themed 'Freedom to be me' » #SpenceWomenAtWork campaign » DE&I Steering Committee » Subsidiary DE&I Committees » Enhanced parental leave	» Set sector-wise targets for fair gender representation » Facilitate awareness sessions » Establish Employee Assistance Programmes (EAP) & DE&I networks » Review policies to strengthen DE&I strategy
Develop competencies to drive innovation and digitalisation	» 'SpenceInnova' attracted 62 new innovations » 'Spence Hackathon' promoting digital innovation » Digital capability development through exposure to novel tools/ applications	» Spence Robo-Leap for digitalisation (Robotic Process Automation etc.) » Training to promote innovation and a digital culture

Employees by Sector



Age analysis

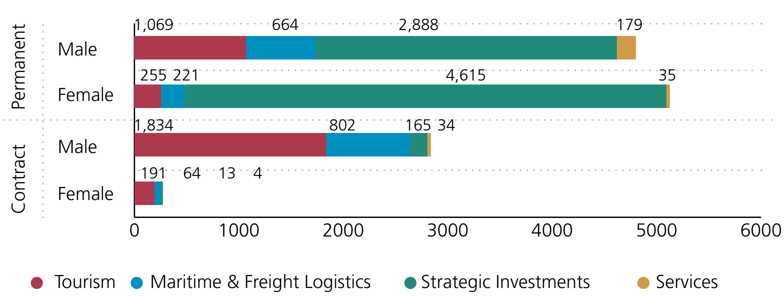


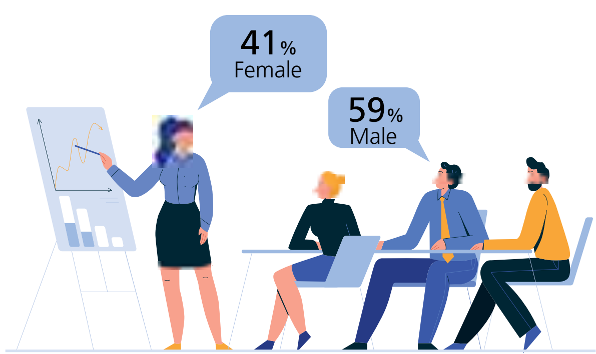
A diverse team (GRI 3-3; 2-7,8)

The Spensonian team is a key strength as they differentiate the Group's businesses from the competition by demonstrating Aitken Spence's core values. The diverse workforce generations support the evolution of a unique culture. Sector diversity provides a number of opportunities to facilitate deployment of talent within the Group, encouraging robust exposure. The geographic footprint of the Group supports talent mobility across borders in addition to the sector and functional talent mobility. All employees of the Group are full-time employees. There is little seasonal employment at present due to the subdued activity in the Tourism sector. A total of 726 outsourced staff were utilised during the year. The charts provide a snapshot of our diverse team.

**Employment type (permanent/contract) is currently not tracked by region.*

Permanent/contract employees by gender & sector





HUMAN CAPITAL

HR Governance Framework

Managing our team is a strategic priority and a sound governance framework has been established to ensure that we provide a holistic value proposition for employees while empowering them to achieve their career goals in alignment with the Group's business objectives. This comprises a governance structure, establishing responsibilities as well as a comprehensive policy framework which clearly articulates the Group's position on a number of issues and sets out guidance on a number of topics.

Chairman and the Board of Directors

↓

Group Supervisory Board (GSB)
(3 Executive Directors + CFO)
*Group CHRO on invitation

↓

Management Council (MC)
(GSB + Heads of Segments + Group CHRO)

↓

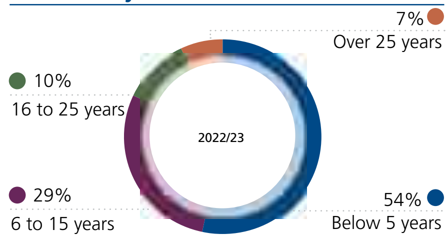
Group HR

Talent Management & Transformation	Aitken Spence School of Management (Learning & Development), Employee Engagement and Internal Communication	HR Services Delivery, Compensation & Benefits and Operations

↓

HR Business Partners at segment level

Tenure analysis



Governance Structure (GRI 3-3)

As per the above cascaded governance structure, Group HR plays a pivotal role in ensuring that talent management is driven in a strategic manner in alignment with the policy framework and corporate values, nurturing the unique culture that differentiates Aitken Spence. It is connected to all HR functions of the Group's 16 segments, facilitating an understanding of the issues throughout the Group, implementing strategy, formulating policies, managing HR related risks and monitoring compliance and progress.

A crucial component of our Group HR is understanding the unique needs of our employees. We recognise that different generations have distinct requirements and preferences, and we strive to cater to them accordingly. Moreover, we acknowledge that different roles within our organisation may necessitate specific HR interventions. These interventions are discussed in this section of the report.

Policy Frameworks

Introduced in 2022/23

- Parental Leave Policy

Re-circulated policies

- Code of Ethics and Professional Conduct
- Anti-Bribery & Anti-Corruption Policy
- Group Remote Working Policy
- Social Media Policy
- Corporate Gifts Policy
- Sexual Harassment Prevention Policy
- Integrated Sustainability Policy

Policies Reviewed During the year

- Grievance Handling Policy
- Group Disciplinary Policy
- Group Whistleblowing Policy

Policies Under Review

- Diversity, Equity & Inclusion Policy
- Succession Planning Policy
- Performance Management Policy
- Recruitment Policy
- Policies related to benefits

Policy Framework (GRI 406-1, 408-1, 409-1, 410-1)

The policy framework is reviewed regularly to meet the evolving needs of the Group. An annual communication campaign ensures that all employees are aware of and understand key policies. Additionally, employee knowledge on HR policies and procedures is regularly evaluated through 'Tartan', the Group e-learning platform.

We are committed to creating an inspiring workplace and foster a culture of inclusivity and dignity for all. Our policy framework includes a zero-tolerance policy on sexual harassment, child labour and forced labour and stringent policies with regards to safeguarding human rights which are strictly enforced. Additionally, compliance with legal requirements with the Shop and Office Employees Act, Factories Ordinance and the Employment of Women, Young Persons and Children Act is reinforced through the policy framework and dedicated HR functions at Group level as well as at Sector and segment level. There were no reported incidents of discrimination, non-compliance with labour laws, child labour or forced/compulsory labour during the year. Our HR Partners serve as the primary point of contact for employees to raise concerns and grievances regarding human rights violations.

We have trained our Officers-in-Charge in the Group Security Division, who oversee security operations and briefed on-site security staff, on our company's policies and commitments to uphold human rights in the workplace.

Nurturing Human Capital in 2022/23

The Group's staff strength increased by 3% in line with business needs and there were no layoffs despite the weak economic outlook for the year. Employee benefits (including remuneration) increased significantly as the Group stepped up to support employees through the sharp spike in cost of living and regulatory changes impacting quality of life. However, productivity increased and employee satisfaction was evident, affirming the decision to increase employee benefits. We also increased activity on Learning & Development in support of organisational transformation.

We supported our employees through the difficult times by implementing the following targeted interventions.

Challenge	Impact	Mitigation Approach
Inflation	• Affected the staff's cost of living	• Enhanced salaries, incentives, and provision of essential items, meals, and vouchers (through a special financial grant in partnership with "DEG Impulse gGmbH")
Power Cuts	• Affected remote working opportunities provided via Semi-Virtual Mobility (SVM)	• More flexible work arrangements
Fuel Crisis	• Hindered staff mobility	• Staff transport facilities and SVM extended to more employees
LKR Devaluation	• Key talent initiatives were hampered	• Negotiations with service providers for extended credit periods and improved terms
Overall National Instability	• Affected the staff's physical and mental wellbeing	• Wellness & Wellbeing programmes and free online medical consultations

Nurturing Human Capital in 2022/23

A Growing Team

Remuneration

Learning & Development

HUMAN CAPITAL

Talent Attraction (GRI 401-1)

We are an equal opportunity employer who aims to attract top talent to our businesses. Our recruitment processes are designed to identify individuals with high potential through best-in-class talent acquisition tools which are based on merit. A proven track record of creating career opportunities for employees underpins our strong employer brand, enabling the Group to attract potential employees from diverse sources of talent. Preference is given to internal employees when vacancies arise to support career progression, although we also seek to refresh our talent pools with fresh external talent, depending on the role. During the year we recruited 3,735 employees to our team and demographics are given below.

3,735
New Recruits

118
New Jobs Created

Retained 69%
of Employees <1 year

New recruits by gender & region

Sri Lanka			
	Male	46%	1,384
	Female	54%	1,622
Maldives			
	Male	88%	469
	Female	12%	66
Other Countries			
	Male	85%	164
	Female	15%	30

New recruits by gender & age

Less than 30			
	Male	52%	1,204
	Female	48%	1,118
30 to 50			
	Male	59%	718
	Female	41%	495
Over 50			
	Male	47%	95
	Female	53%	105

Talent Retention

Talent retention was a critical issue during the year as the ongoing Sri Lankan economic crisis has made Talent Migration or 'Brain Drain' a key concern. During the year in review, 34% of executive exits has been due to 'Overseas Studies/Employment/Migration' as many Sri Lankans seek to relocate to other countries with the hope of improving living standards. This has presented a dual challenge to business entities, retaining talented and trained employees as well as difficulties in finding replacements as talent pools diminish in the country.

The Group introduced both monetary and non-monetary strategies as per our total reward philosophy to mitigate brain drain as set out in the next page.

Turnover by gender by region

Sri Lanka			
	Male	53%	1,345
	Female	47%	1,212
Maldives			
	Male	87%	444
	Female	13%	68
Other Countries			
	Male	83%	141
	Female	17%	29

Turnover by gender & age

Less than 30			
	Male	58%	1,009
	Female	42%	732
30 to 50			
	Male	62%	719
	Female	38%	432
Over 50			
	Male	58%	202
	Female	42%	145

Health & Safety (GRI 403-1, 2, 3, 4, 5, 7, 8)

Given the diverse business segments within the Group, each with unique occupational health and safety (OHS) priorities, a tailored approach has been developed. The Group has established a mechanism that enables segments to identify hazards, assess the risks of these hazards materialising and plan appropriate control measures accordingly. Aitken Spence adopts the HIRAC mechanism (Hazard Identification, Risk Assessment & Control) as a standard practice and a basic tool to manage OHS risks. Operations with higher risks of OHS hazards are required to implement more stringent control measures and are also reviewed accordingly in inspections. Additionally, segments have the flexibility to pursue OHS system certification if it aligns with their priorities, although it is not mandatory. This approach is uniformly followed by all companies within the organisation. More than 400 team members are dedicated to handling diverse responsibilities related to OHS. To ensure the effectiveness of these systems, inspections are conducted internally or externally as needed. This comprehensive framework allows the Group to address OHS requirements specific to each segment, promoting a safer work environment throughout the organisation.

The Group's sustainability team and the OHS teams within the subcommittees are formed with a cross representation of employees at all levels of employment. All employees have access to communicate their concerns and grievances, particularly through the Group's network of HR Partners. It is also a part of our internal inspection process to engage with randomly selected employees on-site informally during these inspections, to identify any concerns or risks they perceive as they express their concerns more freely in environments they are comfortable in.

Monetary Initiatives

- Significant salary increments and incentives to combat inflation
- Revised allowances (fuel, meals etc.)
- Temporary Crisis Allowance

Non-Monetary Initiatives

- Providing overseas work opportunities at Group subsidiaries
- Sourcing talent from other countries due to the Group's global presence and networks
- Designing a succession plan to foster a talent pool for critical positions
- Focused leadership development programmes for critical talent in support of succession and mobility
- Management Development Programme to upskill Aitken Spence Hotels staff
- CINEC partnership with Aitken Spence Elevators to create a talent pipeline

OHS Developments in 2022/23

Aitken Spence PLC was recognised for pioneering efforts to ensure disaster risk reduction (DRR) education to key stakeholders within the organisation, including Heads of Segments, Heads of Departments, and a dedicated Core Team. The initiative, supported by the Asia Pacific Alliance for Disaster Management (APAD-SL) and the Disaster Management Centre (DMC) of Sri Lanka, involved assessment of vulnerability to natural disasters and strengthening standard operating procedures for emergency response. In acknowledgement of these endeavours and the Group's commitment to sustainable and innovative DRR strategies, Aitken Spence PLC received an honour from APAD during their 10th-anniversary ceremony in Tokyo.

HUMAN CAPITAL

Employee Wellbeing (GRI 403-6, 7, 8)

As an organisation that prioritises the well-being of our employees, we strive to ensure that our employees have access to quality medical and healthcare services. Employees are provided a range of medical facilities including medical insurance, OPD reimbursements and access to online medical consultations, among others. Meanwhile specific support systems for health, safety and welfare are provided based on the employee demographic of each Sector.

Apparel segment

Workers are provided with Employee Assistance Programmes such as counselling services due to the relatively high levels of domestic violence witnessed among workers. Many measures have been taken to educate its employees on support services available to them in an instance of gender based violence.

Printing segment

Provides on-site medical assistance to all employees via a doctor who visits the site 3 days per week. Additionally, consultation fees are covered while purchasing and distributing prescribed medicine to all factory staff.

Plantations segment

Provides a range of health and welfare facilities to its estate worker community. Facilities include paid leave for medical consultations, special medical assistance for pregnant workers, creche facilities for children, special assistance for children with special needs among others.

Our Employee Safety Record 2022/23

(GRI 403-9, 10)

Workplace related accidents	116
Workplace related fatalities	0
No. of lost work days due to workplace related injuries	833
Trainings conducted on OHS	4,144 hrs 1,285 employees

Engaging Our Employees

We continued to explore innovative ways of engaging and communicating with employees to ensure that employees remained engaged despite the disruptions caused due to the country being in crisis. Employee engagement and internal communication activities remained streamlined and revolved around the following themes:

- 1st Office Olympics
- Avurudu
- Halloween
- Christmas
- Chillax Evenings
- Quizzes
- Joke Series

- 1st Purpose & Values Campaign
- Spensonian Conventions
- Guest Speeches
- Panel Discussions

- 1st Spence Hackathon - 9 projects
- International Women's Day
- Art/Poetry Competitions

- SpenceInnova - 62 plans
- Service Awards
- Spensonian Achievements

Our flagship employee engagement initiatives were:

- Office Olympics to promote team bonding via fun challenges
- Purpose & Values campaign to inspire employees to embody the unique attributes upheld by Aitken Spence
- SpenceInnova to spotlight individuals/teams who implement innovative plans for products/ services, processes, and/or new ventures over 6 months
- Spence Hackathon with 7 cross-functional teams who harnessed Microsoft Power Apps to build digital solutions for subsidiary bottlenecks

The Voice of Spensonians (VoS) Survey

'Enhance employee experience throughout employee lifecycle' was a HR Strategic Priority in 2022/23. A crisis can give rise to different emotions and needs. Hence, the VoS Survey was conducted with strict anonymity across executives and non-executives. We were eager to capture Spensonian sentiments and satisfaction overall as well as regarding core topics such as Communication, Leadership, Compensation, Recognition, Wellbeing etc.

VoS survey results

4,900+
Respondents

81%
Group Response Rate

74%
Group Engagement Score

VoS Survey Sector Engagement Scores

Tourism Sector	76%
Maritime and Freight Logistics Sector	71%
Strategic Investments Sector	74%
Services Sector	76%

HUMAN CAPITAL

Industrial Relations

(GRI 2-30, 402-1, 407-1)

Despite the economic crisis and the political turmoil, there were no material issues pertaining to industrial relations during the year. We remain committed to protecting our employees' rights to freedom of speech, expression and association. Over 31% of the Group's employees are members of trade unions and are covered through collective agreements. A majority of unionised employees belong to the Plantations segment. In addition to trade unions, our employees in the Apparel segment engage in Worker Councils/Joint Consultative Committees (JCC). Maintaining an ongoing dialogue with trade unions and representative committees of employees is an important aspect of our industrial relations strategy and enables us to proactively address issues and concerns faced by more vulnerable employee segments. We have in place formalised mechanisms to engage with trade unions on a regular basis and continued to engage with the 21 trade unions across the Group. Cordial relations with trade unions were maintained during the year. A minimum notice period of 4 weeks is provided to employees prior to the implementation of any significant operational change that would substantially affect them.

Developing Our Team

Developing our team is a key priority to unlock their potential, creating talent pipelines for the Group's needs while also creating opportunities for career progression for our employees. Learning & Development is centrally coordinated by Group HR and delivered through the Aitken Spence School of Management (ASSM). Given the diversity of skills required within the Group, the technical training requirements of each segment is carried out at segment level which involves the larger numbers. This includes initiatives such as the Aitken Spence School of Hotel Management which trains people from the hospitality industry, the training of plantation associates, sewing machine operators and elevator technicians for example.

Aitken Spence School of Management (GRI 404-1,2,3)

ASSM competency-based talent development model

OBJECTIVES

Facilitating People Development	Supporting the Leadership	Creating a Supportive Learning Culture
Flexible, relevant learning opportunities for all employees	Facilitating management & leadership development programmes	Structures and cultures that facilitate learning

TALENT DEVELOPMENT MODEL

Individual Development	Managerial Development	Organisational Development	Professional Development
These programmes are primarily focused on the development of various competencies of individuals, which in return, will enhance their soft and behavioral skills to perform the job role effectively and to grow professionally	These programmes will enable the participants to understand the various aspects of leadership, management and will provide tools and insights to think strategically	Focus of these programmes is to provide information on the organisational processes and build the capabilities of the employees by understanding the systems and procedures	These programmes will support the continuous learning process of employees and will enable them to face career development challenges

SERVICES

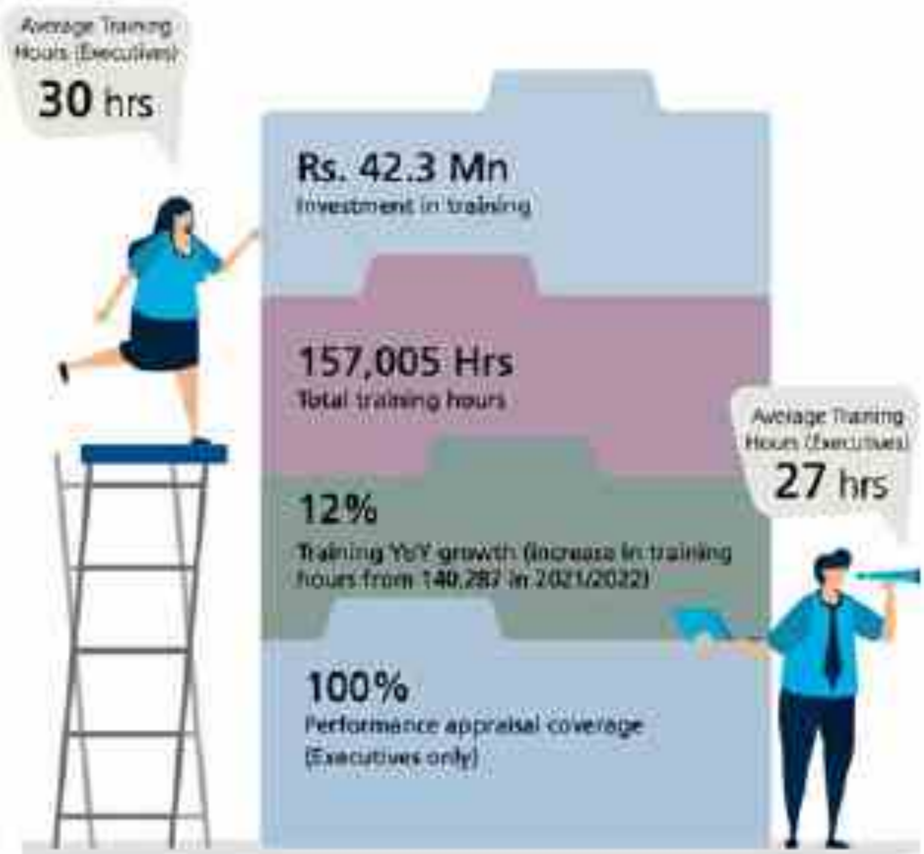
Training Needs Analysis	Customised Training	Soft Skills Training Programmes	e-learning Solutions via 'Tartan'	Overseas Training Facilitation	Special Learning Advisory Services	Executive Coaching	Facilitate Programmes by Corporate Training Partners (e.g. CIMA)	Management Information on Learning & Development Activities

Talent Diagnostics → **Learning/Coaching Interventions** → **ROI**

Talent Diagnostics	Learning/Coaching Interventions	ROI
• Employee competencies assessed against our competency framework (ARCs) • 360 assessments • Psychometric assessments • Development centres	• Learning capsules • Coaching • Assignments • Performance development discussions	• Work-related projects • Management feedback • Post 360°/psychometric assessments

Our core programmes following the above approach include:

1. Executive Development Programme (EDP) for senior leaders
2. Leadership Excellence & Accelerated Development (Spence LEAD) for DGMs & GMs
3. Accelerated Leadership Programme for High Achievers (ALPHA) for 1st-time managers
4. Service Enhancement Through HR Excellence for 2nd Tier Leaders of Hapag-Lloyd Lanka



ASSM deploys multiple channels for Learning & Development including classroom training, webinars, power learning sessions, bite-sized learning, self-learning and online learning (LinkedIn). Additionally, the Group's online learning management system 'Tartan', has been unlocked for all executives in the Group enabling self-paced learning for a wide pool of employees. The online learning hours increased considerably as a result, reflecting the pent-up demand for self-improvement.

To successfully acclimatise new employees into the Spensonian family, ASSM has created a robust orientation programme titled 'Roots to Excellence'. It provides an introduction to the Group's history, policies, best practices, information security and HR initiatives.

We also initiated a 'Chat with GCHRO' monthly series where those who joined the Spensonian family are given the opportunity to engage with our Group Chief Human Resources Officer and discuss their journeys as well as how Aitken Spence can accelerate the achievement of their career aspirations.

Average training hours by employee category

Non- Executive	9
Executive to Assistant Manager	28
Manager to General Manager	24
Assistant Vice President & Above	43

*Employee category is currently not tracked by gender

HUMAN CAPITAL

Remuneration & Benefits (GRI 401-2)

The Group maintains a total reward philosophy with a combination of unique monetary and non-monetary rewards. Across the Group, we ensure that our employees receive remuneration surpassing the minimum wage standard. Employee remuneration and benefits were constantly under review during this year as inflation soared each month, increasing the cost of living for all employees. Employees also experienced other significant challenges due to power outages, fuel shortages and difficulties in procuring daily needs. The impact on employees was high and interventions were necessary to facilitate their wellbeing. Additionally, personal income tax rates also increased in January 2023 which reduced select employees' take-home pay, further exacerbating a difficult situation. These issues resulted in migration of labour at all levels across the country, leading to skill shortages across industries. Therefore, new employee benefits have been introduced to mitigate challenges and position the Group as an employer of choice.

Certain Sectors, notably the Tourism Sector, is yet to recover from nearly 4 years of extreme economic volatility. Globally, the corporate sector was laying off thousands of employees as they trimmed their operational costs. In view of these developments, a segmental approach was necessary as we also needed to safeguard the jobs of our people. There were no layoffs and non-executive and executive employees in more vulnerable categories were given increments/allowances to facilitate a reasonable standard of living. Additional financial assistance was also provided. Segments adopted innovative approaches to support employees during this time which included the Apparel segment providing dry rations, the Plantations segment distributing meals etc.

Benefits at beginning of year

- Reimbursement of medical bills
- Health insurance
- Telemedicine facility
- Creche facility for plantation workers
- Supporting continuous professional development
- Annual subscriptions for professional memberships
- Aitken Spence sports and welfare society
- Housing loans at concessionary rates
- Free holiday vouchers at Aitken Spence Hotels
- Holiday bungalows for executives
- Wedding gifts
- Death donations
- Transport facilities/travel reimbursements during the pandemic

Relief measures for economic crisis

- Temporary Crisis Allowance
- Meals for workers in select categories
- Enhanced standard bonus
- Adjusted fuel allowance
- Revised travelling/vehicle allowance
- "DEG Impulse GmbH" financial grant

Increase in other benefits

- Critical illness cover of 1 Mn per event for all Spensonians
- Enhanced parental leave (100 days - Maternity Leave & 5 days - Paternity Leave)
- Enhanced holiday vouchers
- Transport during the fuel crisis
- '90 Days Health Challenge' conducted by Aitken Spence Cargo – Freight Division involving medical tests and action based on reports

Recognition

Across the Group, individuals and teams who exceed expectations and go the "extra mile and a half" are celebrated. The following awards were given this year.

- Service Excellence
- Exceptional Performance
- Innovation
- Career Management & Development
- Corporate Values
- Tenure of Service

Gender Report

Sri Lanka's female labour force participation rate has remained at a low rate between 30% to 35% and a concerted effort is required to move this rate which is one of the lowest in Asia. Fostering a diverse, equitable and inclusive work environment that supports gender equality remains a key focus. Aitken Spence has endorsed the 7 United Nations Women's Empowerment Principles and is a part of the UNGC's Target Gender Equality programme, reiterating its commitment within the organisation and wider community.

Enablers

The Group has always been home to a significant gender mix given the diverse industries in which it operates, particularly the Garments/Apparel and Plantations segments. A focused induction of females has not been necessitated to date. We continue to promote gender equity, equality and empowerment in the workplace through our core values (reliability, honesty and transparency, warmth and friendliness, genuineness and inspiring confidence), strong policies and supportive work practices.

Diversity, Equity & Inclusion (GRI 401-3)

Aitken Spence Group launched its focused Diversity, Equity & Inclusion agenda themed 'Freedom to be me'. To drive this agenda, the Group DE&I Steering Committee and Subsidiary DE&I Committees were established.

From 2022-2024, our efforts are focused on #SpenceWomenAtWork. Thereby, paid maternity leave was extended from 84-100 days. Also, 5 days of paid paternity leave were extended to all male employees to support their partners and strengthen bonds with newborns.

A breakdown of parental leave can be found at https://www.aitkenspence.com/sustainability

This International Women's Day, we strived to further empower our women at work via a robust celebration with a panel discussion on "Embracing Equity on the road to Equality", a guests speech on how "Everybody wins when we #EmbraceEquity", pledges by employees and much more.

Sexual Harassment Prevention Policy

Aitken Spence Group has put in place a "Sexual Harassment Prevention Policy" to ensure its commitment to address and prevent workplace sexual harassments which is applicable to all employees of the Group.

"Aitken Spence is committed to providing a safe environment for all its employees free from discrimination on any ground and from harassment at work including sexual harassment. The Group will operate a zero-tolerance policy for any form of sexual harassment in the workplace and will promptly investigate all reported incidents/complaints of sexual harassment. Any person found to have sexually harassed another will face disciplinary action, up to and including dismissal from employment. All complaints of sexual harassment will be treated with respect and in confidence. No one will be victimised for making such a complaint. However, employees are cautioned that such reports/complaints should be made in good faith and without malice."

- Excerpt from the Group Sexual Harassment Prevention Policy

HUMAN CAPITAL

Workplace practices to promote gender parity

- Semi-Virtual Mobility
- Counselling services
- Special medical assistance for pregnant employees
- Creche facilities for children & elder care centre
- Special awareness sessions

Raw median gender pay gap
(GRI 405-2)

Employee Category	Gender Pay Gap (Ratio of male pay to female pay)
Non-Executives	1 : 0.90
Executives	1 : 0.93
Middle Management	1 : 0.97
Senior Management	1 : 0.90

Team analysis by gender & category

Non-Executives
- Male 56% 6,075
- Female 44% 4,825

Executives
- Male 70% 1,097
- Female 30% 477

Middle Management
- Male 83% 411
- Female 17% 84

Senior Management
- Male 81% 52
- Female 19% 12

Team analysis by gender & age

Less than 30
- Male 59% 1,988
- Female 41% 1,409

30 to 50
- Male 59% 4,316
- Female 41% 3,055

Over 50
- Male 59% 1,331
- Female 41% 934

Responsible Brand

Evaluation of Gender Bias in Advertising and Communications

We are conscious of our responsibility to be objective and inclusive and make a concerted effort to avoid depicting attitudes that are discriminatory or offensive to a gender in the Group's marketing, advertising, and other communication.

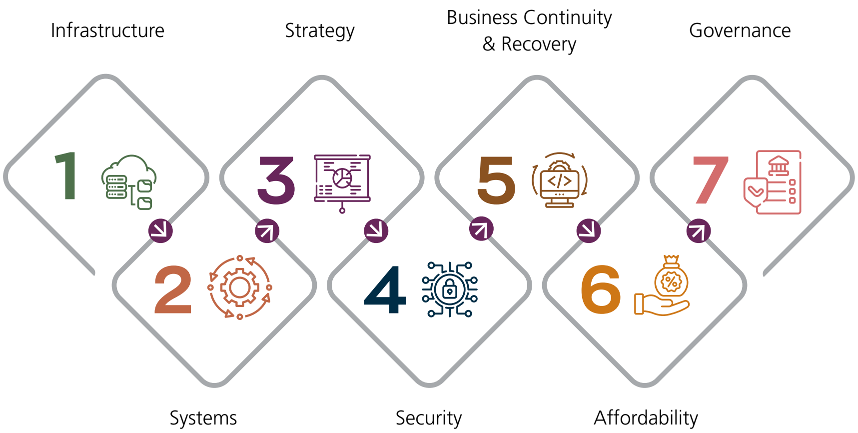
Scan the QR code for more insight into Parental Leave and Hazard Identification, Risk Assessment, and Control measures (HIRAC).

INTELLECTUAL CAPITAL

Our competitive edge in the industries we operate in is driven by our intellectual capital, which encompasses renowned brands, acquired tacit knowledge, strategic partnerships formed over 150+ years, diverse business segments, and a strong emphasis on digitalisation. We continued to nurture our intellectual capital during the year, through a culture of innovation and investments in people, processes, and strategic partnerships, positioning us for continued growth and success in an ever-evolving business landscape.

Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
Digital transformation of business activities. - Implemented digital technologies to drive operational efficiencies and enhance the customer experience	» Ongoing roll-out of Robotic Process Automation » The Group is using Power Automate to automate operational processes and one such transformative project was to transform Container Freight Station Operation	» Implementation of an ERP system in the apparel segment » The Group is expanding the implementation of Robotic Process Automation (RPA) to encompass additional processes, enabling the automation of tasks
Nurturing a culture that inspires and encourages innovation, fostering creativity and embracing forward-thinking ideas	» SpenceInnova ignited innovation, empowered employees to bring visionary ideas to life, and drove a transformative change for the future » Spence Hackathon: Seven teams used MS Power applications to develop transformative solutions » Group embraced innovative learning models like Tartan e-learning platform, webinars, and self-learning programs for continuous employee growth	» Investments in digital technology to enhance the customer experience » Increase investment in digital training and development programs to empower employees with new skills and competencies » The Group is committed to sustaining the initiatives of SpenceInnova, SpenceLab, and Spence Hackathon to foster an innovative and creative culture within Aitken Spence
We strengthen strategic partnerships to enhance our knowledge base, access new expertise, and leverage diverse perspectives. These collaborations drive our growth and keep us at the forefront of industry advancements.	» Equity partners and principals contribute to enhancing our corporate reputation and creating synergies that add value to customers » Over 30 strategic partnerships with global renowned brands	» Re-visiting the Group's brand strategy and SBUs brand strategies to strengthen the Group's brand positioning whilst improving stakeholder engagement to create better visibility » Strengthen strategic partnerships with existing and new partners and thereby expand business opportunities in new markets » Digital partnerships to drive digital innovation and growth
» Management systems aligned to international standards and best practices ensure environmental control, OHS, quality, product responsibility, social sustainability, and organisational excellence	» The Group maintains over 180 management systems, with more than 70 of them being certified. » A network of over 600 Spensonians is responsible for managing these diverse management systems » The Group has received over 120 awards for business excellence across multiple sectors	» Action plans to reach net zero emission status by 2030 » Work towards reducing resource consumption through 2030 » Ensure a Green Workforce at Aitken Spence » Engagement, education and evaluation for supply chain sustainability

Software systems and processes



The Group is on a journey of digital transformation across all Sectors to enhance scalability of operations, drive agility and boost organisational resilience. Ongoing investments in digital infrastructure has enabled automation and streamlining of routine processes leading to increased productivity and enhanced customer relationship management while data analytics has enabled effective and insightful decision making.

Governance of the Group's digital strategy is aligned with technological advancements, evolving business needs and associated risks. Protection of systems of data assets takes place through a multi-layered security architecture, incorporating firewalls, promoting cyber risk awareness among stakeholders, and conducting regular threat monitoring and assessments. Moreover, operational continuity is ensured by developing and testing business continuity and disaster recovery strategies. Additionally, the Group seeks impactful business solutions that seamlessly integrate, offer scalability, efficiency, and are cost effective.

A brief summary of the investments made in 2022/23 to enhance our digital infrastructure is given below.

Segment	Digital infrastructure	Benefits achieved
Integrated Container Services	Robotic Process Automation	Increased efficiency and accuracy through the automation of all documentation processes.
	Automation of inventory reports	Improved inventory management of container seals.
	Automation of container repair estimates to e-invoices with power automate flow	Improved efficiency and increased customer satisfaction.
	Microsoft Platform WMS Solutions	Streamlining of routine processes and enhanced customer service.
	Power BI Dashboards	Improved tracking of operations, documentation, inventory management and transportation.
Airline GSA	Launch of Kris+ app	Provide customers with opportunities to earn and redeem air miles and enjoy exclusive travel privileges.
Elevator agency	Maintenance Automation System (MAS)	Automation of regular maintenance service operations.
	Contract Management Systems (CMS)	System driven generation of annual maintenance renewal agreements.
	Integration of Customer Relationship Management System, MAS and CAS with the call centre	Provision of better customer service and improved responses to queries raised by customers during calls to the call centre.
Insurance	Automation of fund transfers and introduction of front-end systems	Enhanced efficiency of operations and improved customer experience.
Freight Forwarding	Digitalisation of freight and CHA routine processes	Enhanced operational efficiency while enhancing the customer experience through improved shipment tracking, onboarding and digital access to statements of accounts.

Brands

Our portfolio of prominent brands drives our market leadership position across many of the sectors we operate in. Over the years, our brands have become synonymous with quality, service excellence and innovation. During the year, we engaged in strategic brand activations to enhance the value of our brands and drive brand loyalty and customer engagement.

Tourism

Maritime and Logistics

Strategic Investments

Services

Fostering a culture of innovation

By cultivating a culture of innovation, the Group not only encourages creative thinking and the implementation of innovative ideas but also actively drives transformative change. This dedication to innovation fuels ongoing growth within the organisation, enabling it to adapt and thrive in a dynamic business environment. Through initiatives like SpenceLab and SpenceInnova, employees are empowered to contribute their visionary ideas and play a pivotal role in shaping the Group's future.

SpenceInnova: The organic evolution of SpenceLab, is a program aimed at encouraging innovation and recognising individuals or teams for implementing innovative plans within the organisation. Over a span of six months, 62 ideas were submitted, demonstrating the enthusiasm of Spence employees in driving transformative change.

The Spence Hackathon: Event brought together seven teams from across the Group to develop nine transformative solutions using MS Power applications. The teams received learning interventions and support from a leading Microsoft Gold Partner, to enhance their knowledge and skills.

In terms of learning and development, the Group has embraced innovative models such as 'Power Learning Sessions,' interactive e-learning through 'Tartan,' webinars, and self-learning programs tied to key performance indicators. These initiatives

Culture of Innovation

» 16 Process innovations

» 21 New products & service offerings

» 3 New business ventures

» 62 Innovative Ideas

enhance the overall learning experience and promote continuous growth among employees. More details are provided in the Human Capital section.

This culture of innovation acts as a catalyst for positive transformation, allowing the organisation to stay ahead of the curve and attain sustained growth and success.

Collective knowledge

The Group's strength lies in the vast reserve of tacit knowledge, skills, and experience possessed by our diverse employee base spanning 16 industries. Nurturing and harnessing this collective knowledge is a strategic priority for us, and we consistently invest in training and development initiatives to enhance the expertise and capabilities of our employees.

Management Systems Benchmarked to Global Standards

We prioritise the use of management systems that align with international standards and global best practices to effectively manage environmental impact control, occupational health and safety (OHS), quality control, product responsibility, and social sustainability of our operations and enhance the value of our products and services. Our Spensonians have implemented over 180 diverse management systems across the Group out of which 74 management systems have been certified, further validating their effectiveness and alignment with industry standards.

Certifications in Environmental & Social Sustainability

ISO 14001:2015 Certified Environmental Management Systems

- Aitken Spence Travels (Pvt) Ltd.
- Heritance Kandalama
- Heritance Tea Factory
- Ace Aviation Services (Pvt) Ltd.
- Ace Cargo (Pvt) Ltd.
- Aitken Spence Cargo (Pvt) Ltd.
- Logilink (Pvt) Ltd
- Hapag Lloyd Lanka (Pvt) Ltd.
- Aitken Spence Printing & Packaging (Pvt) Ltd.
- Aitken Spence Elevators (Pvt) Ltd.

Travelife Gold Certified Hotels

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

Travelife Certified Operations

- Aitken Spence Travels (Pvt) Ltd

Forest Stewardship Council (FSC) Chain of Custody Certification

- Aitken Spence Printing & Packaging (Pvt) Ltd

FSC Certified Management Systems

- Bentota Estate
- Devitural Estate
- Elpitiya Estate
- Gulugahakanda Estate
- Ketandola Estate
- Lelwella Estate
- Talgaswella Estate

Rainforest Alliance Certification

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

ISO 50001: 2011 Certified Energy Management Systems

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

LEED Gold Certified properties

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

Compliance + Certification

- Aitken Spence Garments Ltd.

Sri Lanka organic agriculture production and processing (SLS 1324:2018)

- Organic cinnamon certificate – Elpitiya Plantations PLC

Organic Certification of Sri Lanka Standards Institute (SLSI)

- Heritance Tea Factory

Global Organic Textile Standard (GOTS) - Version 5.0

- Aitken Spence Garments Ltd.

Certifications in Product/Service Quality and Safety

ISO 9001: 2015 Certified Quality Management Systems

- Ace Aviation Services (Pvt) Ltd.
- Ace Cargo (Pvt) Ltd.
- Aitken Spence Cargo (Pvt) Ltd.
- Aitken Spence Shipping Ltd.
- Ace Distriparks (Pvt) Ltd
- Hapag Lloyd Lanka (Pvt) Ltd.
- Fiji Ports Terminal Ltd.
- Financial Shared Services Centre – Financial Accounting Outsourcing Division, Aitken Spence Corporate Finance (Pvt) Ltd.
- Aitken Spence Printing & Packaging (Pvt) Ltd.
- Aitken Spence Garments Ltd.
- Aitken Spence Elevators (Pvt) Ltd.

ISO 22000/ HACCP: 2005 Certified Food Safety Systems

- Adaaran Club Rannalhi
- Adaaran Prestige Vadoo
- Adaaran Select Hudhuranfushi
- Adaaran Select Meedhupparu
- Heritance Ahungalla
- Heritance Kandalama
- Heritance Tea Factory
- Heritance Negombo
- Heritance Aarah
- Turyaa Kalutara
- Dunsinane Tea Factory
- Sheen Tea factory
- Fernlands Tea factory
- Meddecombra Tea Factory
- Nayapana Tea Factory
- New Peacock Tea factory

ISO 45001:2018 for Occupational Health & Safety

- Aitken Spence Travels (Pvt) Ltd
- Logilink (Pvt) Ltd
- Ace Distriparks (Pvt) Ltd
- Hapag Lloyd Lanka (Pvt) Ltd.
- Aitken Spence Printing & Packaging (Pvt) Ltd.
- Aitken Spence Elevators (Pvt) Ltd.

ISO 27001: 2013 Information Security Management Systems

- Aitken Spence Corporate Finance – Group IT

Gold Certificate of Compliance – Worldwide Responsible Accredited Production (WRAP)

- Aitken Spence Garments (Mathugama)

Scuba Schools International (SSI) Diamond Status Certification for commitment to excellence and leadership

- Dive Point, Adaaran Select Meedhupparu

Authorised Economic Operator (AEO) - from Fiji Revenue and Customs

- Fiji Ports Terminal Ltd.

Sedex Members Ethical Trade Audit (SMETA – 4 Pillar)

- Aitken Spence Printing & Packaging (Pvt) Ltd

Sedex Registered Supplier

- Aitken Spence Garments Ltd.

Intertek's Supplier Qualification Program – Achiever

- Aitken Spence Printing & Packaging (Pvt) Lt

Awards and accolades

Aitken Spence PLC and its subsidiaries are committed to attaining excellence in all its activities, fostering high-growth businesses in Sri Lanka and in new markets with the long-term aspiration of becoming a leading global competitor in the region. Our commitment to excellence is further validated by the numerous awards and accolades we have received throughout the year, which not only exemplify the success of our management approach but also significantly enhance our market reputation.

For the full list of awards and accolades, refer our website https://aitkenspence.com/sustainability

INTELLECTUAL CAPITAL

Aitken Spence PLC

Best Corporate Citizen Sustainability Award 2022 - Ceylon Chamber of Commerce

- Most awarded corporate entity, winning a total number of nine awards and the highest number of certificate awards for 'Consistent Commitment and Continuous Improvement'.
- Only corporate in Sri Lanka to have been consistently ranked among the Top 10 Corporate Citizen for the 17th consecutive year.
- Ranked among the top three Best Corporate Citizens of Sri Lanka for 8 years

Main awards categories – 4 awards

- Diversified Holdings Sector Award winner
- Winner of Demonstrated Resilient Practices for COVID-19 context
- Top 10 Corporate Citizen
- Category award winner for Customer Relations

Awards for Consistent Commitment and Continuous Improvement in the last 5 years

- Environmental integration
- Environment commitment
- Employee relations
- Customer relations
- Community relations

Transparency in Corporate Reporting - Transparency International Sri Lanka (TISL)

- For the third consecutive year, among the top companies in Sri Lanka for responsible corporate conduct. Aitken Spence PLC was recognised in 11th place for transparency in corporate reporting and received a high score in the 'Significantly Transparent' category.

Top 10 Most Respected – LMD

- Ranked amongst the Top 10 Most Respected of the nation's most admired corporations for 2022.

Tourism sector

Hotels

- Aitken Spence Hotel Holdings PLC was overall ranked in fourth place in the LMD Most Awarded companies ranking for 2022.
- Aitken Spence Hotel Holdings PLC won 'Gold' under the hotel sector category at the 57th Annual Report Awards, organised by the Institute of Chartered Accountants of Sri Lanka -CA Sri Lanka's TAGS Awards 2022 (Transparency, Accountability, Governance and Sustainability).
- Aitken Spence Hotel Holdings PLC became the Runner-up in the Leisure and Connected Services category at the ACCA Sustainability Reporting Awards 2022.

Sri Lanka Hotels

Heritance Kandalama

- Trip Advisor Travellers Choice award in 2022
- Leading Eco-Friendly Resort at the South Asia Travel Awards (SATA) 2022
- Leading Designer Hotel/Resort at the South Asia Travel Awards (SATA) 2022
- Booking.com Traveller Review Awards 2023

Heritance Ahungalla

- Trip Advisor Travellers Choice award in 2022
- Top Hotel Partner, Schauinsland Reisen
- Booking.com Traveller Review Awards 2023

Heritance Negombo

- Leading Wedding Hotel/Resort at the South Asia Travel Awards (SATA) 2022.
- Booking.com Traveller Review Awards 2023

Heritance Tea Factory

- Leading Theme Resort at the South Asia Travel Awards (SATA) 2022.
- Booking.com Traveller Review Awards 2023

Heritance Ayurveda

- Leading Wellness and Spa Resort at the South Asia Travel Awards (SATA) 2022.
- Leading Ayurveda Resort at the South Asia Travel Awards (SATA) 2022.
- Booking.com Traveller Review Awards 2023

Heritance Negombo - (Browns Beach Hotels PLC)

- Silver Award – Hotel Sector

Turyaa Kalutara

- Booking.com Traveller Review Awards 2023

Maldives Hotels

Heritance Aarah

- 13 Awards at the Villerooy and Boch Culinary World Cup 2022, (five Gold, four Silver and four Bronze).
- Best Luxury Water Villa Resorts in Maldives 2022 - Luxury Lifestyle Award
- Global winners (Best of the Best) in the 'Best All-Inclusive Hotels' category year 2022
- Winner - TripAdvisor Travellers' Choice Awards 2022
- Winner - Leading All-Inclusive Resort 2022 at the South Asia Travel Awards (SATA).
- Winner – Leading Wellness and Spa Resort 2022 at the South Asia Travel Awards (SATA)
- Contribution towards the Development of Tourism 2022 recognition at Raa Tourism Expo 2022
- Country Winner - Luxury Villa Resort 2022 at the World Luxury Hotel Awards 2022.
- Country Winner - Indigenous/Heritage Cuisine 2022 at the World Luxury Restaurant Awards 2022.

Adaaran Select Hudhuran Fushi

- Winner of the Leading Dive Hotel / Resort at the South Asia Travel Awards (SATA) 2022.
- Winner of the Best CSR Hotel in 2022 at the Raa Tourism Expo 2022.
- Winner of the Leading Surf Hotel / Resort at the South Asia Travel Awards (SATA) 2022.

Adaaran Prestige Vadoo

- Most Outstanding Culinary Organisation 2022 by the Food and Hospitality Asia Maldives (FHAM).
- Winner in Agoda's Customer Review Award 2022

Adaaran Club Rannalhi

- Gold 100 company at the Top 100 companies in Maldives Corporate Maldives 'Gold 100 Gala'.

Adaraan Select Meedhupparu

- Gold 100 company at the Top 100 companies in Maldives Corporate Maldives 'Gold 100 Gala'.

Aitken Spence Maldives Resorts

- Award of Appreciation 2022 by the Ministry of Tourism – Maldives.

Oman Hotels

Dessert Nights Camp – Oman

- Traveller Review Awards 2023 – Booking.com
- Desert Nights Resort, Studiosus Quality Award – Studiosus

Sur Plaza Hotel – Oman

- Certificate for Recognitions and Appreciations by Ministry of Tourism, Oman Film Festivals, Ministry of Labour & Royal Court of Diwan

India Hotels

Turyaa Chennai

- Customer Choice Award – Star Partner Award 2022 by Make My Trip

Aitken Spence Travels (Pvt) Ltd

- Recognised as the Most Sustainable DMC and the Role Model of Sustainability in the Tourism Industry at the Sustainability Awards 2022, organised by the AHK (Delegation of German Industry and Commerce in Sri Lanka), together with the Friedrich Naumann Foundation in December 2022.

Airline GSA (Singapore Airlines Sri Lanka)

- Singapore Airlines Sri Lanka was awarded the 'GRIT' Award for Passenger and Cargo for the Financial Year 2021/22 at the Marketing Warrior Awards by Singapore Airlines HQ.

Maritime & Freight Logistics

Maritime

- Hapag-Lloyd Lanka won two Customer Service Awards for the Europe Trade, for the third consecutive year and Mediterranean Trade, for the second consecutive year at the award ceremony by the Institute of Chartered Shipbrokers (UK) - Sri Lanka Branch

Freight

- Category Winner in Transport, Logistics, Shipping and Shipping related services in the Freight sector and recognised among the overall top 10 companies at the Best Management Practices Company Awards 2023 organised by the Institute of Chartered Professional Managers of Sri Lanka.
- Recognised for 'Outstanding Revenue Contribution 2022' by a global network at an awards ceremony in Singapore in 2023
- Certificate of appreciation from American Airlines in March 2023

INTELLECTUAL CAPITAL

Strategic Investments

Aitken Spence Printing

» Awarded the Platinum Trophy 2022 for Overall Winner and winner of 4 Gold and 2 Silver awards at the Sri Lanka Packaging Awards 'Lanka Star 2022' organised by the Sri Lanka Institute of Packaging

Elpitiya Plantations PLC

» Awarded the following awards at the Best Corporate Citizen Sustainability Award 2022 organised by the Ceylon Chamber of Commerce,
  » Top 10 Corporate Citizen
  » Triple bottom line winner - Environment category.
  » Best sustainability project award winner – environmental sustainability Living Green Soil
  » Best sustainability project award winner – social sustainability – Ready to be Ready.
  » Best sustainability award and second runner up in the below Rs. 15 billion category.
» Gold award winner for Green Productivity by Sri Lanka Association for Advancement of Quality and Productivity.
» Winner of the Sustainability Award - Agriculture Sector (large category) at the German Industry and Commerce in Sri Lanka (AHK Sri Lanka) and the Friedrich Naumann Foundation.
» Silver award (joint winner) in the overall category and the sector winner in Agriculture and Plantations.
» Recognised among the Top 5 Excellence Awards for their Best Management Practices by CPM (The Institute of Chartered Professional Managers of Sri Lanka).
» Runner-up in the Retail & Trading category at the ACCA Sustainability Reporting Awards 2022

Aitken Spence Garments (Pvt) Ltd

» Merit Award, Manufacturing sector – Extra Large category National level at the Ceylon National Chamber of Industries (CNCI) Awards 2022 organised by the Ceylon National Chamber of Industries.
» Among the Top 10 Companies and a Certificate of Recognition in Best Management Practices Company Award 2023 from The Institute of Chartered Professional Managers of Sri Lanka.

MANUFACTURED CAPITAL

Our diverse portfolio of manufactured capital is a significant strategic advantage that differentiates us within the sectors we operate. We have diligently cultivated this capital by making well-calculated investments aimed at increasing revenue, enhancing service quality, improving productivity, and reducing our environmental footprint.

Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
In alignment with our strategic objectives, we are strategically investing in expanding capacity in key growth sectors. Our goal is to meet increasing demand, seize opportunities, and achieve sustainable growth, resulting in enhanced customer service and an expanded market share.	» Total capital expenditure of Rs. 4.85 billion. » Investments in capacity expansions in apparel manufacturing segment » Expanding the container yard facility in Welisara » Invested in expanding the container freight station facility	» Disposal of thermal plant » Backward integration of apparels segment » Conclude container freight station expansion » Commence work on adventure park » As part of its expansion strategy, the company will invest in plant and machinery to enter the knitwear market and expand the range of products.
Investments in eco-friendly technology to enhance operational sustainability and minimise our environmental footprint. These investments align with our commitment to sustainable practices and contribute to a greener future. Investing in technology to drive digitalisation across our manufactured capital. These investments are aimed at streamlining processes, enhancing operational efficiency, and harnessing the power of automation and data analytics	» Construction of a seaplane lounge in Maldives. » Invested in a water bottling plant. » investment in a solar power plant with the capacity to generate 10MWh. » Refurbishment in Heritance Kandalama » Investment of electronic quality verification system in the printing segment » Consistently upgrading IT hardware to align with the Group's digital transformation	» Transforming the apparel manufacturing units to operate on solar energy. » Procurement of environment friendly material handling equipment in line with the company's sustainability efforts. » Investment in ERP system in the apparel segment. » Continuously upgrading hardware and IT systems to keep pace with technological advancements.

MANUFACTURED CAPITAL

Group manufactured capital

Our manufactured capital spans across 8 countries and 16 business segments, highlighting the extensive scope of our operations. Within our portfolio, we possess iconic hotel properties, advanced manufacturing facilities, high-quality warehouses, and a fleet of vehicles dedicated to transporting containers, goods, and passengers. The value of the Group's property, plant, and equipment as at 31st March 2023, amounted to Rs. 82.66 billion.

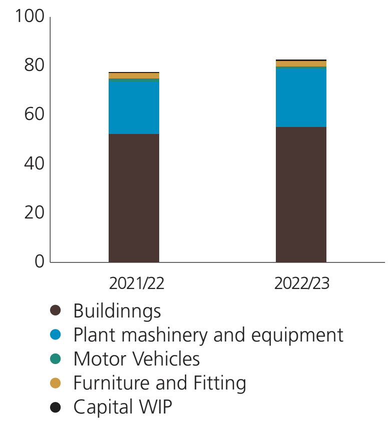
Management approach

Our investment strategy is aimed at expanding capacity, diversifying geographically and into new business segments, while enhancing our business processes to create sustainable value to stakeholders while fostering the long-term stability of the Group. We prioritise regular maintenance and upkeep of our manufactured capital to enable exceptional service standards while minimising downtime in all Sectors of operation. Our maintenance practices are guided by the standards specified in the numerous certifications we have obtained, ensuring that we consistently meet industry benchmarks.

Sector-wise manufactured capital

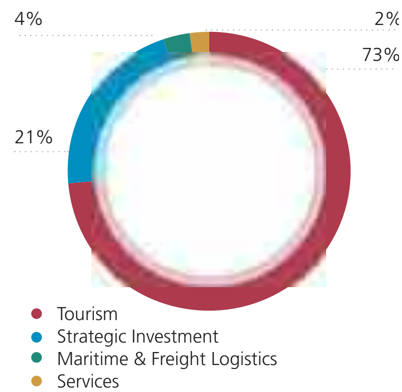
The manufactured capital of the Group was dominated by the Tourism Sector at 73.5% as at end-March 2023 and comprised its hotel properties in 4 countries. Strategic Investment Sector accounted for the next highest proportion at 21.3%,

Group Manufactured Capital



Sector wise Manufacured Capital

As at 31st March



Sector-wise manufactured capital

Tourism Sector

The manufactured capital of the Tourism Sector comprises our chain of hotels and resorts situated in prime tourist destinations in Sri Lanka, India, Oman and the Maldives. Our unique properties operate under the premier brands Heritance Hotels and Resorts, Adaaran Resorts and Spa and Turyaa Hotels and are designed to meet the needs and budgets of a diverse client base while upholding exceptional hospitality standards. Our portfolio of hotels and resorts also includes exotic, award winning eco-friendly properties including Heritance Kandalama and Heritance Aarah.

Tourism sector assets also include a fleet of luxury transport 45-seater tour buses, mini-coaches and cars to support the transportation of tourists.

707 Heritance branded rooms

585 Adaaran branded rooms

339 Turyaa branded rooms

Maritime & Freight Logistics Sector

Our Maritime & Freight Logistics solutions are underpinned by

- Logistics vehicles and equipment including a fleet of trailers, fuel bowsers, container moving equipment and the only multi-axle trailer in Sri Lanka.
- Three container yards spanning 25.7 acres.
- Most advanced maritime simulator in South Asia.
- A 432,602 sqft of industry specific warehousing
- Comprehensive logistics support area of 45 acres comprising owned and leased properties.
- Specialised equipment for port operations including crane amigo, shore crane, mobile harbour cranes.
- A fully fledged education campus spanning approximately 10 acres.
- Solar panel installed roof tops in Mabole.

Strategic Investments Sector

Our Strategic Investments Sector solutions are underpinned by

Power generation

As a pioneer in private sector driven energy projects, we have maintained a strong commitment to embracing new technology and advanced energy production mechanisms. We utilise a diverse combination of thermal, hydro, wind and waste to energy power plants to supply electricity to the national grid.

1 Thermal power plant of **100MW**

1 Waste to energy plant of **10MW**

6 Hydro power plants totalling **9.2MW**

1 Wind power plant of **3MW**

1 ground mounted solar plant of **10MW**

Plantations

Elpitiya Plantations PLC operates factories in low, central, and up-country regions in Sri Lanka. Our factories produce high quality tea, rubber, cinnamon and oil palm, using the harvest obtained from extensive plantations, covering a land base of 8,800 hectares.

17 factories

5 manufacturing plants

11 Solar panel installed roof tops

Printing and packaging

Driven by our commitment to environmentally conscious printing, the printing and packaging sector operates the first purpose-built LEED Gold Certified Printing complex to be built in Southeast Asia. The facility includes six colour machines and a digital printing press and is equipped to fulfil diverse customer needs.

1 printing complex

Apparel Manufacturing

Established in 1977, the Apparel sector operates two manufacturing facilities in Mathugama and Koggala, with the capability to produce high quality garments for export.

2 factories

MANUFACTURED CAPITAL

Services Sector

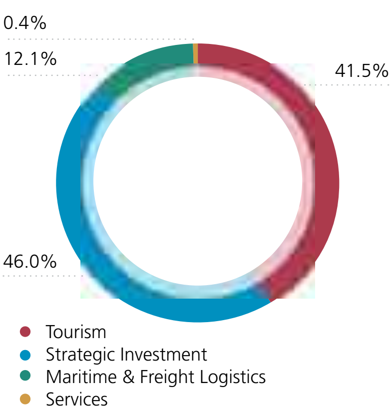
The manufactured capital of the Services sector comprises,

Two iconic luxury office complexes spanning over 195,000 sqft of smart building space in the heart of Colombo.

Value addition to manufactured capital in 2022/23

The Group's capital expenditure for the year under review amounted to Rs 4.85 billion with the Strategic Investments and Tourism Sectors accounting for 46.0% and 41.5% respectively. Key investments during 2022/23 are as follows.

Capex 2022/23



Key Investments in 2022-2023

Sector	Value of investment	Key investments
Tourism	» Rs. 68 million » Rs. 32.33 million	» Sea plane lounge » Water bottle plant
Strategic Investments	» Rs, 1,400 million » Rs. 4.2 million » Rs. 82 million	» Solar power plant » Quality verification system » Machinery for apparel manufacture
Maritime & Freight Logistics	» Rs. 299 million » Rs. 10.4 million	» Container freight station » Yard development
Services	» Rs. 2 million	» Elevator training centre

Our SDG commitments

Future outlook

Our long-term growth strategy is to invest in 5 new sectors and 5 new countries which will drive growth in manufactured capital. Additionally, our existing operations are also expanding and upgrading their property, plant and equipment as part of its on-going operations which will also add to the manufactured capital.

Investments will be made taking into consideration numerous factors including the future growth potential of the sector, maintenance of operating margins, cashflow position and our commitment to minimising our environmental footprint.

SOCIAL AND RELATIONSHIP CAPITAL

Nurtured over a journey of 150 years, our social and relationship capital exemplifies mutual trust and confidence with our customers, business partners, suppliers, and communities. These relationships have grown stronger over time as we continue to create mutual value and foster collaboration. The strength of our strategic partnerships remains key to maintaining our leadership across various segments and driving our continued success.

Strategic Priorities 2022/23	Key Achievements 2022/23	Priorities for 2023/24
Enhance our product and service offerings and create value for customers through innovation.	» Innovation through the SpenceInnova » Conducted the SpenceWay service excellence survey across all 16 business segments. » Customer portals to facilitate real-time service in Freight & Logistics segments » Use of recyclable and sustainable fabrics in the apparel segment » Charter flights introduced from new source market – Bulgaria by the Destination Management segment » 24-hour call center operated by the Money Transfer segment » Automated fund transfers in the Insurance segment	» Create one-of-a-kind experiences for customers in the Tourism Sector » Maximise the utilisation of technology and process improvement mechanisms for swift delivery of products and services to customers.
Consolidate relationships with business partners through sustainable value creation and engagement based on mutual trust.	» 3 new strategic partnerships » Over 20 long-standing strategic partnerships with global partners.	» Explore new markets and geographies through existing partnerships » Engage with business partners to collaborate on strategies and joint initiatives for sustainable value creation
Build and enhance sustainable and resilient supply chains.	» 1,203 suppliers screened on ESG » Ongoing engagement with suppliers to establish ESG benchmarks » On-time payments made to suppliers exceeding Rs. 58 billion » Long-term contracts with key suppliers to strengthen working relationships and knowledge sharing for mutual business development.	» Progressively expand ESG screening procedures among supply chains » Include key stakeholders in disaster risk reduction interventions
Strengthen local communities through access to development opportunities, entrepreneurship, capacity building and purposeful community engagement.	» Rs 260 million in funds channelled for community development initiatives.	» Include key stakeholders in disaster risk reduction interventions » Strengthen strategic interventions for community development » Mitigate climate impacts within the supply chain by increasing awareness and capacity building initiatives through partnerships

SOCIAL AND RELATIONSHIP CAPITAL

Customer relationships

Customer profile

- Our customer base is diverse and spread across the globe, reflecting the diversity of our business operations which span 9 different geographies and 16 business segments.
- Our customers include individuals, SMEs, corporates, institutions and governments.

> 50,000 Customers

Value created to customers

Ongoing customer engagement → Product and service quality and reliability → Product and service responsibility

Direct and indirect contribution to the SDGs

Highlights of our customer relationship management in 2022/23

- Plantations – Expansion of the Harrow House and Ceylon Choice product portfolio and improving accessibility through the addition of new outlets.
- Integrated logistics – Establishment of internationally recognised HSSE guidelines and practices across the warehousing segment.
- Freight – Introduction of a customer portal facilitating improved tracking of shipments, e-payment services, and real time tracking of invoices.
- Apparel – Initiated production of garments using recycled and sustainable fabrics.
- Elevator – Streamlined elevator maintenance procedures through the introduction of technology.

Product and service quality and reliability

Focus on innovation	» SpenceLab, our intrapreneurship initiative, actively encourages our employees to generate fresh ideas and explore novel approaches to work whilst SpenceInnova is an extension of the SpenceLab initiative that allows employees to implement those innovative ideas » Ongoing efforts to develop new and sustainable products and services including, – Printing – a dedicated new product development team to enhance value delivered. – Apparel – production of clothing using recycled and sustainable fabrics. – Plantations – Emphasis on expanding the product portfolio.
Focus on reliability	» Our capacity to respond swiftly to developments in the operating environment enabled us to fulfil customer needs in a timely manner.
Focus on customer convenience	» Ongoing efforts to expand our customer reach to increase access to our products and services. » Investments in technology to automate and digitalise routine processes, increasing convenience to customers. – Integrated logistics – Introduction of real-time temperature monitoring facility. – Freight – Use of digital systems to manage the process from end-to-end. – Maritime – Operational updates to customers through WhatsApp. – Insurance – Automation of fund transfers for claim settlements. – Elevator – Enhanced the maintenance related customer experience through automation (Maintenance Automation System) and Contract Management Systems.
Focus on quality assurance	» Comprehensive quality assurance systems across the value chain for our manufacturing facilities. » Adherence to numerous local and global standards to enable high quality products and services while minimising our environmental footprint.
Culture of excellence	» A culture of delivering excellence is ingrained among all Spensonians, nurtured through continuous training and development initiatives. During the year, training on customer service excellence was delivered across the Group. For example, as part of the Group's sustainability strategy, to bridge the communication gap and to be more inclusive in delivering customer and public expectations a training on learning the fundamentals of sign language (600 hours) was carried out across the Group. We are also committed to leveraging technology to streamline routine processes and enhance efficiency, thereby redirecting employee attention and efforts towards the delivery of exceptional customer service.

SOCIAL AND RELATIONSHIP CAPITAL

Product responsibility (GRI 3-3, 415-1, 416-1, 417-1)

The Group maintains 112 diverse management systems for social sustainability including occupational health and safety, quality, food safety and ESG, out of which 51 systems are certified in adherence to global benchmarks. Each business segment actively assesses the sustainability of its products and services as well as its value chain in efforts to create long-term value to all stakeholders.

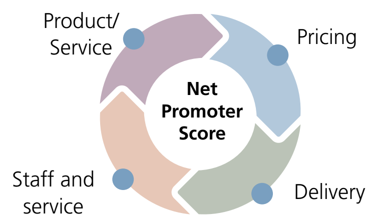
Ensuring customer health and safety is a vital aspect of product responsibility. As a result, our Strategic Business Units (SBUs) have acquired certifications that offer customers and other stakeholders' reassurance regarding the health and safety aspects of our products and services. These certifications serve as a guarantee of our commitment to maintaining the well-being and security of our customers. Please refer Intellectual Capital for the list of certified management systems or website https://aitkenspence.com/sustainability

While 03 grievances were filed through the formal grievance mechanisms during 2022/23, no incidents were recorded regarding the following.

The Performance Indicator	2021/22	2022/23
Total number of grievances filed through formal grievance mechanisms during the reporting period	05	03
GRI 205 – 3: Total number and nature of confirmed incidents of corruption and action taken	None	None
GRI 206 – 1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None	None
GRI 406 – 1: Total number of incidents of discrimination and corrective action taken	None	None
GRI 411 – 1: Incidents of violations involving rights of indigenous peoples	None	None
GRI 416 – 2: Incidents of non-compliance concerning the health and safety impacts of products and services	None	None
GRI 417 – 2: Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling	None	None
GRI 417 – 3: Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	None	None
GRI 418 – 1: Total number of substantiated complaints received concerning breaches of customer privacy	None	None
Non-compliance with laws and regulations or reported incidents of financial and in-kind political contributions	None	None

To maintain the credibility and precision of all marketing communications, a comprehensive process is implemented across the Group. This process involves thorough scrutiny and approval of press releases and advertisements by the Group's Corporate Communications unit before they are published. This ensures that the integrity and accuracy of the content are upheld throughout the Aitken Spence Group. The Group strives to ensure effective delivery of communications in the appropriate languages. For example, the Group has expanded the distribution of press releases in Tamil media during the year.

Customer engagement



Ongoing engagement with customers forms a critical component of our customer relationship management strategy as it enables us to grasp evolving customer needs and identify pain points.

Strengthening engagement with customers was particularly crucial in the Tourism Sector given the developments in the operating environment of Sri Lanka.

In addition to the engagement methods mentioned below, we carried out the SpenceWay service excellence survey across all 16 business segments and gathered feedback from customers regarding four key areas. The feedback was used to calculate a Net Promoter Score for each business, enabling us to gauge customer satisfaction levels. The results of these surveys are discussed at Management level to determine improvements. 'Mentions' about our brands and services are tracked using tools such as trend trackers, website statistics and social media insights that show trends in the interests.

Moreover, customer feedback is also tracked through our Group website and our SBU websites, relevant Customer Relationship Management (CRM) platforms maintained by some of our SBUs. Most of our SBUs operate on a B2B model and maintain a point of contact to manage communication. For these SBUs, any issues are addressed as and when they arise, and the situation supersedes in priority.

Methods of customer engagement

- Direct communications with designated points of contact.
- SpenceWay – Customer satisfaction surveys.
- Buyer inspection audits
- Social media, corporate website, and print media.
- Feedback from online platforms such as TripAdvisor and ReviewPro.

Relationships with joint venture partners and principals

The strategic partnerships forged with prominent global partners over a long operating history of 150 years afford the Group a strong competitive edge enabling the Group to retain its market leadership position across multiple sectors. These partnerships play a crucial role in providing the Group with access to global markets, allowing them to take advantage of opportunities and drive their growth ambitions. Several of the Group's enduring alliances originated as agency relationships and evolved into equity partnerships, highlighting the significant value it generates for its business collaborators.

50th Anniversary as a General Sales Agent

During the year, the Group celebrated its 50th anniversary as a General Sales Agent for Singapore Airlines. This partnership was initially forged in June 1972 with Malaysia Singapore Airlines (MSA), presently known as Singapore Airlines. Our partnership with Singapore Airlines represents the longest GSA relationship in the Singapore Airlines global network, representing decades of trust, teamwork and shared goals in delivering exceptional service and travel experiences to local travellers.

New partnerships were forged in 2022/23 to sustain our competitive position and drive our strategic aspirations. These are listed below.

New partnerships in 2022/23

- Freight segment – Sri Lanka network office of Cargo Partner Logistics and NVD Asia Logistics
- Insurance segment – Appointed by Maritime Mutual Insurance Association NZ Ltd. and EC3 Marine Global Network UK (Survey and Cargo claims)
- Integrated logistics segment - represents the Braid Group in Sri Lanka for their bulk liquid logistics solutions, including flexitank operations.

Joint venture partners and principals

Representatives in Sri Lanka and the Maldives since 2015

GSA for Qatar Airways (Cargo) Since 2011

JV partner

Representing one of the world's largest destination management companies for over 40 Years and JV partners since 2004.

Representing Emirates Holidays Since 2014

the longest standing GSA representation in the Singapore Airlines network (since 1972).

Equity partner since 1989

Agents since 1876

Representing Western Union since 2006

For the full list of our strategic partnerships please refer our website https://aitkenspence.com/about-us/our-partners

SOCIAL AND RELATIONSHIP CAPITAL

Partnerships for building business resilience

The Group has an active partnership of 10 years with Asia Pacific Alliance Sri Lanka (A-PAD) and Disaster Management Centre (DMC) as a commitment to incorporate Disaster Risk Reduction (DRR) strategies into its businesses both locally and globally with the purpose of building resilient businesses.

Due to the varied nature of our businesses, each Strategic Business Unit (SBU) operates according to its specific mandate while aligning with the Group's sustainability policy. To ensure preparedness, all SBUs, along with their respective Managing Directors, have undergone comprehensive training in DRR and Business Continuity Planning (BCP). This training equips them with the skills needed to develop crisis communication strategies, which are subsequently implemented within their individual SBUs.

In addition, Aitken Spence has collaborated with our partners in various knowledge sharing initiatives, including A-PAD, the Disaster Management Centre - Sri Lanka, International Organisation for Migration (IOM) Mission in Sri Lanka, Sri Lanka Preparedness Partnership (SLPP), and the Ministry of Environment Sri Lanka. Recognising its proactive involvement, Aitken Spence was selected by SLPP to represent the private sector during a cross exposure visit to Pakistan.

Mr. Firzan Hashim – Country Director, A-PAD handed over the token of appreciation to Dr. Parakrama Dissanayake, Deputy Chairman Aitken Spence, to mark the 10 years partnership with Aitken Spence PLC

Aitken Spence participation for the Sri Lanka Preparedness Partnership (SLPP) to represent the private sector in the Sri Lankan delegation's exposure visit to Pakistan.

Value created for business partners

Delivering sustainable returns → Regular engagement → Strict compliance with global standards

Direct and indirect contribution to SDGs

Delivering sustainable returns

Our principals and joint venture partners are integral to our growth, providing us with connections to global networks and opportunities. We, in turn, remain committed to delivering returns that commensurate the risk.

Strict adherence with global standards

Strict adherence to global standards established by our principals and equity partners.

Regular engagement

Ongoing engagement with our joint venture partners and principals has enabled a deeper understanding of their needs and facilitated effective communication about progress and challenges in a timely and transparent manner. This mutual trust and transparency have formed the bedrock of our partnerships.

Memberships and affiliations

By consistently engaging with industry associations, we stay informed about evolving trends in various sectors and gain insights into the needs of our stakeholders. These ongoing interactions not only enable us to adapt to changing requirements but also assist us in finding effective solutions that align with our operational priorities.

We actively collaborate with over 130 industry organisations, benefiting from their feedback to strengthen our operational frameworks for environmental and social governance, as well as responsible product and service delivery. We are proud to have engaged with the UN Global Compact Sri Lanka Network for 20 years and endorsed the Women's Empowerment Principles for 12 years.

In 2022, Aitken Spence marked 20 years of engagement with the UN Global Compact Sri Lanka Network and 11 years since endorsing the Women's Empowerment Principles

THE GLOBAL COMPACT
WE SUPPORT

Visit our website aitkenspence.com/sustainability for details of our Memberships and Affiliations

Supplier relationships

Supplier profile

As a diversified Group, we maintain an extensive supplier base that exceeds 28,000 suppliers and service providers through whom we procure a range of input that reflect the breadth of our operations. Our suppliers and service providers are diverse in nature and range from small and medium scale entrepreneurs to large scale businesses. The long-term relationships we have fostered with our suppliers have been vital in ensuring an uninterrupted supply of high-quality input enabling us to maintain excellence in goods and services.

Value created to suppliers.

Total payments made to suppliers **Rs. 58.4 Bn**

Transparent and fair dealings → Supplier engagement → Supplier development

Direct and indirect contribution to SDGs

Transparent and fair dealings

Standard policies and procedures guide our interactions with suppliers including,

» A fair and transparent selection process for new suppliers.
» Timely payment of supplier dues.

Rate revisions were negotiated with several suppliers in Sri Lanka during the year to support them through the challenges stemming from the operating environment.

SOCIAL AND RELATIONSHIP CAPITAL

Supplier development

Emphasis on developing local suppliers involves providing training to enhance their capacity, capabilities and commitment to ensure supply chain resilience and sustainability. This empowers them to become more competitive and self-reliant while fostering a more sustainable business eco-system for the Group.

Supplier engagement

Through active engagement with suppliers, we gained insight into their key issues and concerns, enabling greater collaboration, effective problem-solving and mutual value creation.

Creating sustainable supply chains (GRI 308-2, 414-2)

Ensuring supplier compliance with regulations and alignment with the Group's ESG priorities is crucial. Segments across the Group screen suppliers to assess their compliance and ESG practices, incorporating these requirements into contractual commitments when appropriate. Additionally, we collaborate with suppliers to educate them about the significance of these procedures and assist them in developing practices that meet these standards. These ongoing engagements and relationships are vital to ensure business resilience and continuity, fostering a shared commitment to regulatory compliance and sustainable practices throughout our supply chains.

The Performance Indicator				
New and existing suppliers screened using social/ environmental criteria in 2022/23	144	576	112	61

1,203 suppliers screened during the year (over 4,000 in total and roughly 4% of our supply chain) to ensure due diligence with ESG. There were no reported incidents of significant negative impacts on our communities or the environment or non-compliance with laws, regulations or minimum standards established for product responsibility.

Initiatives carried out during the year to strengthen our supply chains

- Leveraging technology to improve and streamline procurement from suppliers.
- Continuation of due diligence procedures
- Ongoing investments in capacity building, training and enhancing awareness on the Group's benchmarks including quality, adherence to health and safety guidelines, ESG and ecosystem sustainability.
- Expanding our supplier base to mitigate supply disruption risks caused by over reliance on a limited number of suppliers.
- Negotiating supply chain financing for SEM suppliers to secure an uninterrupted supply of raw materials despite supply disruptions.
- Use of digital systems and platforms to carry out supplier evaluations and procurement, enhancing efficiency and minimising the consumption of paper.
- Emphasis to build long-term relationships with suppliers to drive mutual value creation.

Community relationships

(GRI 203-2, 413-1, 2)

As a prominent player in economically and socially significant sectors, we recognise the substantial positive impact we can make on communities. We are dedicated to empowering and strengthening these communities through proactive engagement and contributions to their socio-economic development. By actively participating in initiatives that promote empowerment and upliftment, we prioritise social and environmental sustainability. It is essential to implement systemic intervention that adds value to communities while ensuring any adverse impact are effectively controlled. Our strong relationships with communities position us as a responsible corporate citizen. Throughout the year, there were no reported instances of non-compliance with laws and regulations concerning social, economic and ethical considerations or negative impacts on local communities.

Value created for communities

Rs. 260 million in funds channelled towards impactful community development initiatives during 2022/23.

Empowering communities through economic opportunities, and skills development.

Uplifting communities through community development interventions

Direct and indirect contribution to SDGs

Empowering Communities (GRI 203-2)

The Group has operations in Northern, Central, Southern, Sabaragamuwa, Eastern as well as Western provinces in Sri Lanka and 8 other countries across our shores. To enable opportunities for economic development, our segments place emphasis on local purchasing and employment as part of our strategies for community development.

The Performance Indicator				
Definition of 'local' for community development interventions (GRI 204-1)	The hotels segment prioritises areas within 35-45km radius of the hotels located in the Western, Southern, Central and Eastern provinces in Sri Lanka and the local community of our operations overseas.	Local suppliers in the countries of operation.	Suppliers from the immediate community within our operations in the Western, Central, Sabaragamuwa and Southern provinces are considered as 'local' suppliers.	Suppliers across the country are counted as 'local' suppliers. However, the concept of 'local' does not apply to recruitment in this Sector due to the location of its operations in Colombo.
Local employment (GRI 202-2)	Over 30% of the management team and over 50% of the employees at our hotels in Sri Lanka are from the local community.	Over 90% of the non-managerial employees in Fiji are from the local community.	Over 90% of the non-managerial employees and roughly 10% of the management team in plantations and apparel segments are from local communities.	N/A
Proportion of spending on local suppliers (GRI 204-1)	<15% overall sourced from local suppliers across the segment. 100% of safari vehicles and other miscellaneous resources used in excursions sourced from local tour guides.	Apart from tools and equipment, other resources required for administrative tasks are sourced locally.	37% of the green leaf and 18% of the latex and other miscellaneous resources required for the operations sourced from local suppliers.	Over 2,000 representatives in the MMBL Money Transfer distribution network are SMEs from local communities, including rural communities across the country. (Proportion of spending not quantified)
Supplier training programmes	Ongoing supplier education on sustainability and quality benchmarks, such as annual training for safari drivers on ecosystem sustainability and wildlife conservation.	Standard on-boarding programmes in place	Suppliers are briefed on benchmarks expected for management systems maintained within the segment such Rainforest Alliance and Sedex	Standard on-boarding programmes in place.

In addition to the funds channelled directly by the company towards community development initiatives, Elpitiya Plantations also received Rs. 16.2 million from donors including the Plantations Human Development Trust, Save the Children, Eksath Lanka Health & Safety Awareness Programme and Sarvodaya.

SOCIAL AND RELATIONSHIP CAPITAL

Uplifting Communities (GRI 203-1, 2)

» Ongoing investments in the plantation sector to uplift living standards of estate communities. This includes investments in infrastructure development, health and welfare programmes and supporting the education needs of children. During the year, the segment;

- Provided 659 school children with school supplies through the 'Get to School' programme at an investment of Rs. 3.5 million.
- Distributed vegetables specifically cultivated within the estates to ensure food security and nutrition of estate communities at an investment of Rs. 2.5 million.
- Screened all workers for non-communicable diseases at an investment of Rs. 34 million.
- Awarded scholarships to 10 Advanced level students and 16 university students with the support of the MJF fund.
- Distributed nutritional supplements among 23 orphans and 36 differently abled children.

» The destination management segment contributed school supplies to 17 pre-school and 34 school children from Serupituya Maha Vidyalaya. Additionally, they supported 157 low-income households, including teaching staff from Serupitiya Maha Vidyalaya, by providing dry ration packs through the 'Art of Giving' campaign.

» Printing segment donated paper to Udupila rural hospital for prescriptions and medicine covers and donated certificates to a dhamma school and primary school.

» Money transfer segment donated 672 school bags to school children in 8 communities.

» Elevator segment contributed diapers and school supplies to children in the pediatric wards at the Apeksha Hospital ((National Cancer Institute Sri Lanka).

» The airline GSA segment contributed school footwear and treats for the children at the Sucharithodaya Child Development Centre and Orphanage.

» The Apparel segment carried out the following initiatives;

- Internship opportunities provided to students in universities and vocational training centres
- Financial grants extended to students passing the Grade 5 scholarship examination
- Health & wellbeing initiatives conducted including the Suwanari clinic and blood donation campaigns
- Scholarships given to university students of staff members.

» Group level engagement with women entrepreneurs whilst connecting them to the relevant SBUs such as from Hotels and Plantations segments – WEconnect International Programme where local women entrepreneurs joined the programme alongside the private sector to explore potential business opportunities.

Art of Giving' campaign initiated by the Group's Destination Management segment - Aitken Spence Travels.

Elevators donated a meal and a gift pack to the pediatric wards at the Apeksha Hospital, Maharagama.

Money transfer segment distributing school bags to deserving school children in eight communities.

NATURAL CAPITAL

We are ever mindful of the interconnections between our operations and the environment, and we are committed to augmenting our favourable environmental impacts while proactively addressing any adverse consequences. Our ongoing efforts focus on advancing the sustainable management of our operations, implementing strategic interventions to optimise resource utilisation and minimise our environmental footprint. Our goals include achieving a net zero status of emissions across the Group and reducing our resource footprint by 2030.

Strategic Priorities	Key Achievements 2022/23	Priorities for 2023/24
Increase proportion of energy consumption from renewable sources	» 26.5% of total energy consumed within the operation, or 31% of the direct energy consumed, was generated from renewable energy sources.	» Increase energy efficiency » Reduce dependence on non-renewable sources by 6% YoY
Strategic investments in sustainable business models and resilient infrastructure.	» The investment in Sagasolar Power, a utility-scale solar power plant, has led to a remarkable 44% increase in renewable energy generation within the power segment » Group's direct energy consumption and purchased energy consumption (electricity consumption) matched with the renewable energy produced by 137% and 507% respectively. » 194,172 MT of total municipal solid waste was utilised for energy generation and therefore, kept away from landfills	» Increase energy efficiency of existing properties and operations » Reduce dependence on non-renewable sources by 6% YoY » DRR teams to strengthen emergency response procedures for key natural disasters identified in vulnerability assessments across the Group.
Preserve, restore, and promote the sustainable use of natural ecosystems.	» Over 8,080ha of green cover maintained including 198 acres of forest cover protected in its pristine condition adjacent to the Heritance Kandalama hotel for over 2 decades » Coral reef restoration projects maintained by the team at our Adaaran properties in the Maldives.	» Increase engagement with Spensonians to influence a culture of conservation and sustainable consumption » Increase carbon sinks using our operations
Sustainable management of emissions, effluents, and solid waste.	» 33,314 MT, and 1,704 units of solid waste and 114,094 litres of effluents safely disposed » 651,347 m3 of wastewater treated for safe reuse/ discharge	» Increase engagement with Spensonians to promote the 7R principle » Increase resource efficiency across the Group

NATURAL CAPITAL

Our approach to Environmental Sustainability (GRI 3-3)

Aitken Spence takes a precautionary approach in managing environmental impacts by prioritising the identification of adverse environmental impacts from our operations as the basis of our strategies.

The Group's environmental footprint contributing to potential and actual environmental impacts in a nutshell

Sectoral breakdown of resource consumption

Water consumption	67%	5%	28%	1%
Emissions, scope 1&2	42%	12%	37%	9%
Total Energy Consumption	44%	10%	45%	1%
Solid Waste Generation	3%	5%	92%	0%
Effluents	3%	5%	92%	0%

Water consumption by source (GRI 303-1, 3,5)

Surface Water - 35%
Municipal Water - 30%
Harvested Rainwater - 19%
Ground Water - 15%

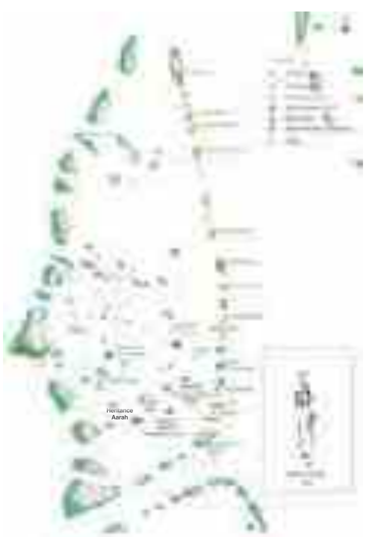
Energy consumption by source (GRI 302 – 1)

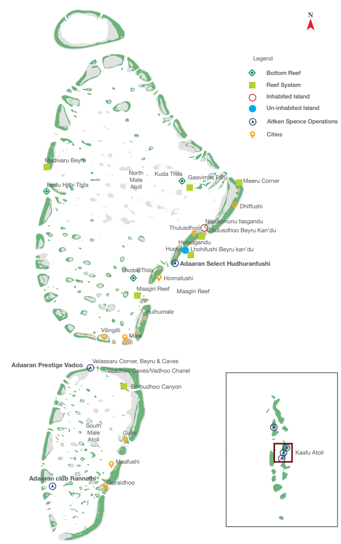
Diesel - 41%
Renewable Energy - 26%
Grid Electricity - 16%
Furnace Oil - 15%
LPG - 2%
Petrol & Kerosene - 0%

Emissions by source (GRI 305-1, 2)

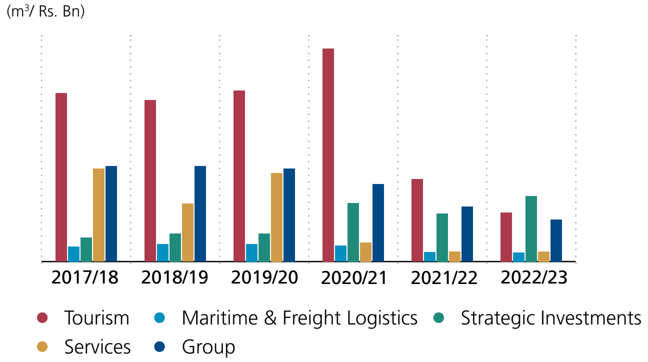
Grid Electricity - 30%
Diesel - 29%
Furnace Oil - 24%
Fugitive emissions from fertilizer/ refrigerants - 15%
LPG - 1%
Emissions from fuelwood (non-biogenic) - 0%
Petrol & Kerosene - 0%

Locations of operation mapped against protected areas and areas of high biodiversity value (GRI 304-1, 2)

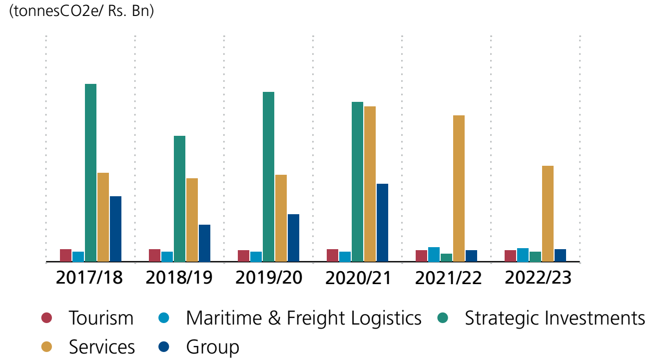




Pattern of Water Consumption per unit Revenue



Pattern of Total Scope 1 & 2 Emissions per Unit Revenue



Materials used (GRI 301-1, 2, 3)

		Group total
Lubricating oil/ grease	L	105,191.27
Paper	MT	4,400.53
Biodegradable packing material	MT	58.76
Biodegradable packing material	Nos	37,671.53
Non-biodegradable packing material	MT	0.06
Non-biodegradable packing material	Nos	1,940,250.00
Repurposed biodegradable packing material	MT	0.04
Repurposed biodegradable packing material	Nos	1.00
Fabrics (Yards)	Yards	2,364,839.00
Inorganic fertiliser	MT	3,093.47
Organic fertiliser	MT	4,700.65
Pesticides	MT	2.17
Agricultural chemicals	MT	14.70
Green leaf - produced	MT	11,493.87
Green leaf - bought from local suppliers	MT	6,869.98
Latex - produced	MT	754.57
Latex - bought from local suppliers	MT	164.15
Residual municipal solid waste	MT	194,172.00

The freight segment fulfils 5% of the non-biodegradable packing material (bubble wrap) requirements and 3% of the paper-based packing material requirements through repurposed materials whereas 100% of the input materials for the waste to energy power plant are repurposed residual municipal solid waste. The hotels segment reclaims more than 20 types of solid waste for safe reuse or disposal.

The plantations segment has set strategic priorities to manage the use of fertiliser as well as the fugitive emissions from the same. Mechanisms utilised by the plantations segment to manage the use of fertiliser is detailed in the Strategic Investments Sector review in this report as well as the annual report of Elpitiya Plantations PLC.

NATURAL CAPITAL

Considering the environmental footprint relevant to the nature and scale of our diverse operations, these are the environmental topics material to the Group by priority;

	High significance	Medium significance	Low significance
Governance	Compliance & ESG	Innovation	
Environmental impact control	Energy consumption	Supplier environmental assessment	Materials
	Emission control		
	Effluent control	Biodiversity	
	Water consumption		
	Solid waste management		

Our approach to environmental impact management

To manage the environmental topics mentioned and curb actual/ potential impacts, the Group employs environmental management systems (EMSs) aligned with international standards (ISO 14001, ISO 50001, RA, FSC, Travelife, etc.). Business segments implement customised systems based on their operational priorities and identified impacts, guided by the Group's integrated sustainability framework. The Group and its companies also strive to enhance positive value creation as a key component of this strategy.

Operational decisions for environmental impact control are made at segment level, with Managing Directors overseeing progress and approving actions. The Sustainability Division guides segmental sustainability subcommittees, while internal inspections ensure compliance and improvement. Significant decisions are reviewed at GSB and escalated to the Board level.

General strategies adopted across the Group for environmental impact control at a glance;

Systemic efforts and progressive improvements for environmental impact control and sustainable value addition

For example;

M Must Do

» Implementation of an EMS mandated for all segments
» Internal inspections and reviews to be conducted at least once a year
» Alignment of ESG due diligence procedures to global benchmarks

S Should Do

» Operations within or adjacent to protected areas or areas of high biodiversity value should have higher environmental impact controls to ensure zero adverse impacts on natural ecosystems

C Could Do

» Segment could seek certification for their EMS

Management systems

» 98 Management systems maintained across the Group for environmental impact control

» 40 Management systems are certified in accordance with international standards and global best practices

Invest in energy efficient technology, retrofitting for greener buildings and renewable energy

» 100% of the factory roofs in Elpitiya Plantations utilised to generate solar power
» Energy audit conducted at Aitken Spence Towers during the year under review by the National Cleaner Production Centre (NCPC)

Progressively improve environmental awareness among Spensonians and enable a 'Green Workforce'

» Power Learning sessions, webinars with topic experts and focused training programmes conducted for Spensonians
» 100% new recruits briefed on the Group's commitments to sustainability through the Group's Roots to Excellence orientation programme

Engage with suppliers and key stakeholders to ensure a sustainable supply chain

» 1,203 suppliers screened during the year (over 4,000 in total and roughly 4% of our supply chain) to ensure due diligence with ESG (GRI 308-1)

Plan strategic interventions to influence sustainable consumer behaviour

» The destination management segment provides guidelines on sustainable tourism practices to guests and also use conservation programmes to increase awareness about ecosystem sustainability through the 'Travel Kindly' brand

NATURAL CAPITAL

Our performance in a nutshell;

Our key targets	Current performance
Source 50% of the Group's energy requirements from renewable sources by 2030	26.5%
Match the Group's energy consumption from non-renewable sources with renewable energy produced by 100%	Direct energy consumed from non-renewable sources matched by 137% Energy consumed from grid electricity matched by 507%
Ensure zero adverse impacts on water bodies and natural ecosystems from our operations	Achieved for 2022/23
Reduce overall resource footprint	Proportion of ground water and surface water withdrawn dropped by 37% and 17% respectively while the water consumed from harvested rainwater increased by 322%
Achieve net zero emission status by 2030	Group's energy consumption per unit revenue reduced by 27% from 2021/2022 while the water consumption per unit revenue reduced by 23% in the same period. The Group partnered with the NCPC to revise the Group's targets and develop an action plan

Accelerating climate ambitions

Aitken Spence was the first diversified Group to make a public commitment to set a science-based target for emission reduction in alignment with the SBTi target setting criteria. Aitken Spence is also a member of the Business Ambition for 1.5 C campaign, an urgent call to action from a global coalition of UN agencies, businesses, and industry leaders in partnership with the Race to Zero. Accordingly, the Group is currently working with the National Cleaner Production Centre (NCPC) to re-assess the Group's emission benchmarks and develop action plans to achieve net zero emission status by 2030.

Energy and emission management (GRI 3-3, 302-1, 2, 3, 4, 5; 305-1, 2, 3, 4, 5, 6, 7)

Managing energy consumption is a key priority for the Group and Aitken Spence employs several strategies to effectively manage our energy footprint, including enhancing energy efficiency, transitioning to renewable energy sources for our energy requirements, and making investments in renewable energy generation.

In-house monitoring and reporting practices were further improved during the year to include targeted emissions in emission related calculations. However, limitations still exist in calculating fugitive emissions included in the scope 1 emissions calculated for the Group (emissions from refrigerants and other ozone depleting substances as applicable). We do not calculate energy consumption outside the organisation and scope 3 emissions as past assessments conducted on the Group's energy consumption and emissions indicated direct energy usage (scope 1 emissions) to be the primary source of our emissions followed by scope 2 emissions (emissions from purchased energy). Although we currently do not monitor or report energy consumption outside the organisation and scope 3 emissions, we are working with the NCPC to establish benchmarks and re-assess these aspects towards our 'net zero' action plans. The waste to energy power plant routinely monitors NOx, SOx and PPM levels and remained within stringent global benchmarks during the year.

Due to the nature of our operations, it is difficult to differentiate the energy consumed per product or service. As a result, we evaluate the energy requirements of the Group per unit of revenue to gain insights into these aspects. It should also be noted that we currently do not report on the emissions absorbed by the carbon sinks maintained within our operations and the emissions offset by diverting municipal solid waste from landfills to generate energy. We hope to include these figures into our reports from 2023/24.

	Unit of Measure	Group				
Total Direct Energy Consumption within the Organisation (GRI 302-1)						
Non-renewable sources						
Petrol	GJ	4,063	1,273	527	1,623	639
Diesel	GJ	360,473	272,602	69,510	16,584	1,777
Furnace Oil	GJ	128,943	-	-	128,943	-
LPG	GJ	20,149	19,854	14	281	-
Kerosene	GJ	1	-	-	1	-
Total energy consumed from non-renewable sources	GJ	513,629	293,729	70,051	147,432	2,417
Renewable sources						
Biomass/fuel wood	GJ	174,661	10,480	-	164,181	-
Briquettes	GJ	116	-	-	116	-
Hydropower	GJ	1,402	-	-	1,402	-
Solar energy	GJ	2,166	2,166	-	-	-
Wind energy	GJ	361	-	-	361	-
Municipal solid waste	GJ	55,985	-	-	55,985	-
Total energy consumed from renewable sources	GJ	234,692	12,646	-	222,046	-
Total indirect energy consumption within the organisation	GJ	138,598	84,418	16,761	30,120	7,300
Total energy consumption within the organisation - 2022/23	GJ	886,920	390,794	86,812	399,598	9,717
Energy consumption per unit revenue (Rs. Billion) - 2022/23 (GRI 302-3)	GJ/ Rs. Bn	9	7	4	23	5
Reduction in energy consumption (GRI 302-4,5) i. e. YoY difference in energy used per unit revenue for products/ services	%	27%	42%	25%	22%	-77%
Emissions						
Direct (Scope 1) GHG emissions (GRI 305 - 1)	tCO2e	65,584	21,708	8,011	29,005	6,861
Energy indirect (Scope 2) GHG emissions (GRI 305 - 2)	tCO2e	27,827	17,699	2,748	5,940	1,440
Reduction of GHG emissions/ emissions offset (GRI 305 - 5)	tCO2e	95,333	1,229	94	94,006	4
Emission intensity (emissions per unit revenue, GRI 305-4)	tCO2e /Rs. Bn	1.0	0.7	0.5	2.0	4.0

Water and effluent management

(GRI 303-1, 2, 3, 4, 5)

Aitken Spence places a strong emphasis on responsible water consumption and minimising negative impact on water bodies. These priorities are integrated within the environmental management systems implemented throughout the Group. Systematic interventions undertaken within these EMSs to address these priorities, include enhancing water use efficiency, treating wastewater to ensure safe reuse or disposal, harvesting rainwater, and actively promoting awareness among Spensonians about the significance of responsible water consumption.

The quantities reported combine water withdrawal and consumption, treating the total water withdrawn as consumed, as the reported quantities are not returned to the original source. Effluents from plantations, printing, hotels, power, and apparel segments are treated for safe reuse to reduce freshwater withdrawal or discharged in compliance with regulations. The plantations segment maintains measures to prevent contamination from surface runoff, including dedicated wash bays and buffer zones for pollutant filtration and water flow regulation. The printing segment upgraded its effluent treatment facility to treat all generated effluents on-site. The hotels segment treats 100% of the wastewater generated in Sri Lanka and the Maldives for gardening, also reusing the separated sludge as fertiliser.

Minimum standards for the quality of effluent discharge were determined based on compliance requirements stipulated in the respective environmental protection licenses. We assume 100% of the water withdrawn to be the water requirement for our products and services. Although we conduct tests on the wastewater to ensure it meets the minimum standards specified in the EPLs, a limitation we have identified is that the discharge is not monitored separately by destination. The Group will introduce this aspect into future reviews.

NATURAL CAPITAL

Water usage	Unit of Measure	Group				
Total water withdrawn (GRI 303 - 3)	(m3)	1,094,597	728,845	53,730	306,404	5,619
Water recycled and re-used/ safely disposed (GRI 303 - 3,5)	(m3)	651,347	610,206	6,336	34,683	122
% of water recycled and re-used/ disposed (GRI 303 - 3,5)	%	60	84	12	11	2
Water sources significantly affected by withdrawal of water (GRI 303 - 2)		None	None	None	None	None
Water withdrawn from areas in water distress (GRI 303-5)		None	None	None	None	None

Resource consumption and waste management

(GRI 3-3, 306-1, 2, 3, 4, 5)

Aitken Spence embraced the 7R principles over two decades ago, as a guiding framework for responsible consumption and production of resources within the organisation. These principles have since become deeply ingrained in our culture and serve as the foundation for all decisions concerning resource usage in the management systems across the Group. The 7R principle focuses on promoting sustainable and responsible resource utilisation across our operations, aiming to maximise resource efficiency, minimise waste generation, and reduce our overall environmental impact.

Waste generated within the organisation is sold for recycling/ reuse or handed over for reuse to authorised vendors (GRI 306 - 1, 3, 4, 5)

Waste by Type and Disposal Method	Unit of Measure	Group				
Solid waste - hazardous	Tonnes	3,519	50	4	3,466	0.1
	Units	464	0	373	15	76
Solid waste - non-hazardous	Tonnes	29,795	1,157	763	27,866	9
	Units	1,240	-	491	749	-
Waste oil, ETP/ STP sludge - hazardous	Litres	92,400	-	-	92,400	-
Waste oil, ETP/ STP sludge - non-hazardous	Litres	21,694	3,285	6,048	12,361	-
Total number and volume of significant spills or adverse impacts from the waste generated		None	None	None	None	None

With the establishment of the waste to energy power plant, a total quantity of 194,172 MT of municipal solid waste from the Colombo district has been diverted from disposal to be converted to energy for the national grid. The hotels segment disposed 883MT of miscellaneous waste compliant with the stipulations in the Maldives. All other waste including hazardous waste such as plastic waste, is diverted from disposal compliant to stipulations in the country to be repurposed or recycled.

Biodiversity conservation

(GRI 3-3, 304-2, 3, 4)

Our operations cover various industries and geographical regions, often intersecting with areas of significant biodiversity. In the plantation sector, we operate near valuable natural resources, and as a prominent player in the tourism industry, we frequently interact with national parks, protected areas, and ecologically important sites. To fulfil our proactive and precautionary approach to environmental and social impact management, we are firmly dedicated to the preservation of biodiversity and the ecosystems we encounter. Our commitment is demonstrated through focused conservation initiatives that aim to safeguard and conserve the diverse natural resources within our operational domains.

Conservation of natural ecosystems

Forest ecosystems

- Over 8,000 ha of green cover maintained in the plantations segment
- 198acres of forest cover adjacent to Heritance Kandalama along with 58acres inside the property maintained in its pristine condition for over 2 decades with a further 13acres acquired in 2022/23 for conservation at an investment of Rs. 48 million

Marine ecosystems

- 'Save the LUNGS, Save the OCEANS' programme, launched in June 2020 by Adaaran Resorts Maldives, maintained to date to restore coral reefs
- The Travel segment supported the Turtle Conservation Project in Rekawa, covering nocturnal beach patrolling costs to protect turtle nests.
- Coastal hotels in Sri Lanka conduct weekly beach cleaning programmes with guest and community participation.

Reforestation

- 350 trees added to the tree belt at the Embilipitiya power plant, with an additional 850 trees donated for community tree planting projects

Plantations segment;

- As of 2023, 37% of the designated land area for buffer zones has been successfully converted. This progress includes the addition of 7,975 bamboo clusters over 14.5 hectares during the year, resulting in a total of 33,729 plants added to the buffer zones so far.
- 1,912 indigenous trees (Hora, Jack, Kumbuk, Mee) planted to restore stream reservations and connect animal corridors over 166 ha
- 8,879 high shade trees planted in the fields

NATURAL CAPITAL

Protecting biodiversity

- Our efforts to preserve habitats has led to the protection of a range of fauna and flora including,
  - 19 species of reptiles and amphibians
  - 64 species of butterflies and dragonflies
  - 128 species of native flora
  - 183 species of birds

  This includes IUCN Red List species and national conservation list species with habitats in the forest cover maintained by Heritance Kandalama hotel as well as the plantations segment.

- The tree belt maintained at the Embilipitiya power plant is home to 6 bee colonies
- The destination management segment adopted another baby elephant named 'Anagi' after ‘Bhanu’ was released back into the wild after being nurtured for 5 years at the Elephant Transit Home, Ath Athuru Sevana.

Employee engagement for education and awareness on conservation

- 100% Spensonians in the destination management segment are educated on sustainable tourism practices following the Travelife standard. The teams are also guided to promote less popular national parks to reduce congestion in popular parks like Yala.
- Spensonians who won a quiz on the 7Rs visited the 'Zero-Trash' plastic collection site to learn about the impacts of plastic pollution and how to reduce it.
- The apparel segment introduced the Haritha Kedella programme, distributing vegetable plants to employees to encourage cultivation in their households.
- The apparel segment expanded the 'Ape Rahe Piyasa' program to the Koggala facility, fostering sustainability and an entrepreneurial mindset. It included an eco-friendly store where staff sold homegrown produce and homemade food, with profits benefiting the employees.

Engaging with suppliers for conservation

- The destination management segment educates safari drivers annually on guidelines to be followed in the national parks and the importance of conserving ecosystems and biodiversity.
- During the year, the segments maintained their efforts to cascade ESG due diligence procedures across the supply chain;

(GRI 308-1, 414-1)

	Suppliers screened during the year	Total suppliers screened to date
	144	1,428
	576	1,278
	112	1,552
	61	185
	1,203	4,443

New and existing suppliers screened on ESG

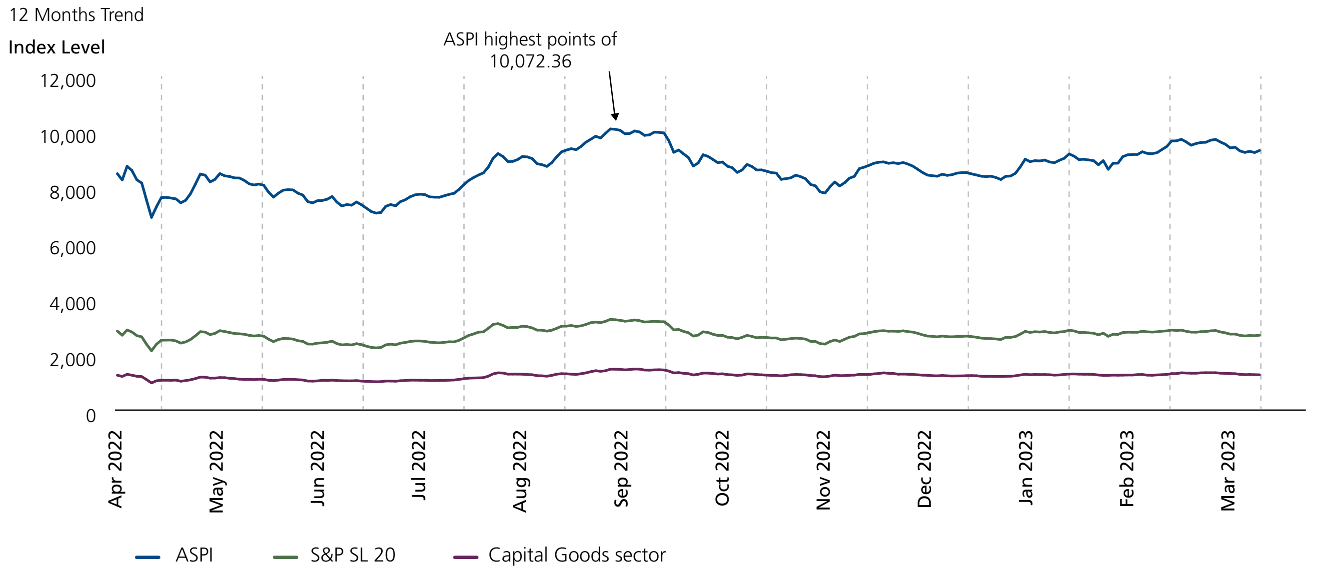
INVESTOR INFORMATION

Stock Exchange Listing

Company Name	: Aitken Spence PLC
Stock Symbol	: SPEN.N0000
ISIN	: LK0004N00008
Security Type in Issue	: Quoted Ordinary Shares
Listed Exchange	: The Colombo Stock Exchange (CSE) - Main Board
Market Sector	: Capital Goods Sector
Featured Stock Indices	: All Share Price Index (ASPI) Capital Goods Sector Index

Despite challenging economic conditions and civil unrest, which resulted in several market closures during the year under review, the All Share Price Index (ASPI) of the Colombo Stock Exchange recorded its highest points at 10,072.36 on September 15th, 2022. Additionally, the highest market capitalisation of Rs. 4,415.87 Bn was recorded on September 16th, 2022. Overall, the ASPI remained relatively stable during the year.

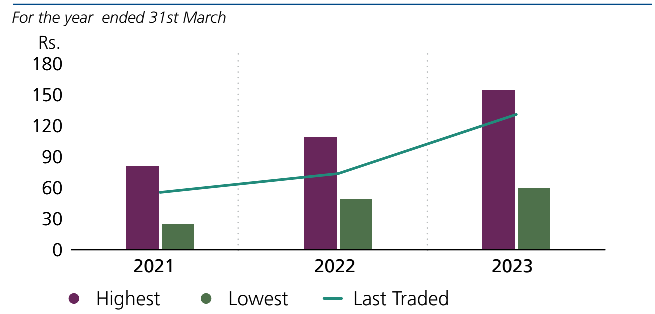
Market Performance



Share Price Information

For the year ended 31st March	2023	2022	2021
Market Value Per Share			
Highest (Rs.)	155.00	109.00	80.50
Lowest (Rs.)	60.00	48.50	24.50
Closing Price (Rs.)	131.00	73.70	55.50

Market Value Per Share



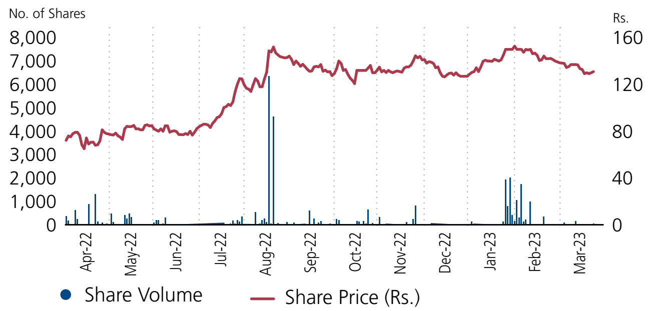
INVESTOR INFORMATION

Share Trading Information

For the year ended 31st March	2023	2022	2021
Value of shares traded during the year (Rs. Mn)	4,915.4	2,965.3	2,790.7
Number of shares traded during the year ('000)	37,500	39,177	55,097
Number of transactions	10,284	15,043	23,069
Percentage of total value transacted in CSE (%)	0.98	0.25	0.42

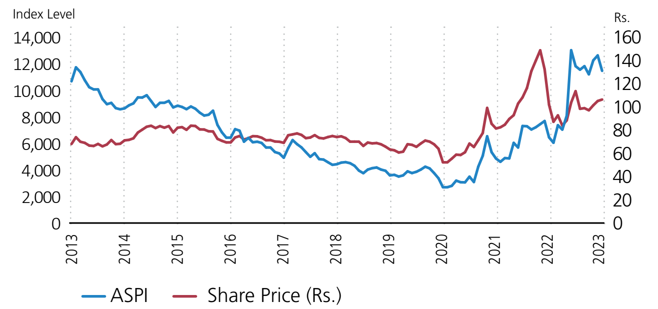
Share Volume vs Share Price 2022/2023

12 Months Trend



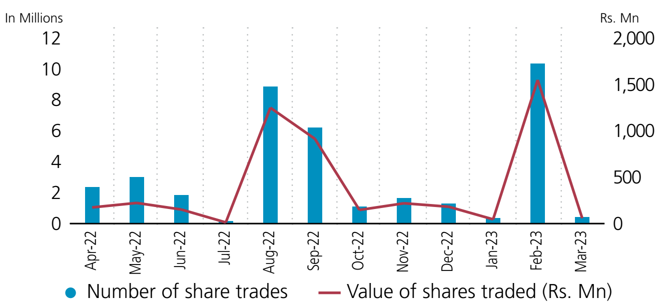
Share Price vs ASPI - 10 Year Trend

1st April 2013 to 31st March 2023



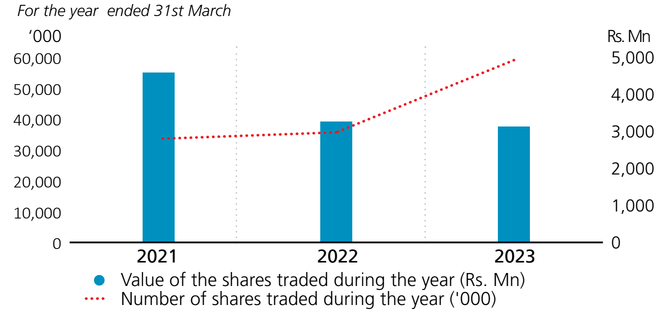
Share Trades vs Turnover 2022/2023

12 Months Trend



Value of Shares Traded vs Volume

For the year ended 31st March



Market Capitalisation

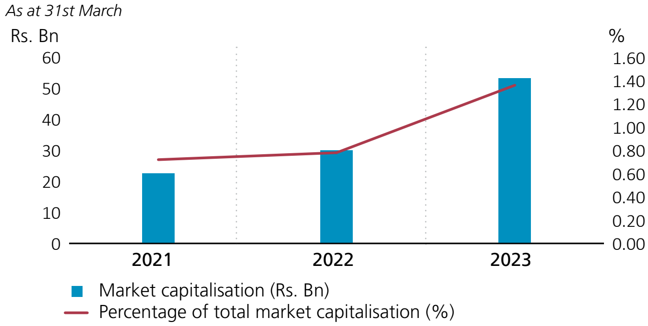
As at 31st March	2023	2022	2021
Market capitalisation (Rs. Bn)	53.19	29.92	22.53
Total Market Capitalisation of CSE (Rs. Bn)	3,903.53	3,826.50	3,111.30
Percentage of total market capitalisation (%)	1.36	0.78	0.72

The float adjusted market capitalisation as at 31st March 2023 was Rs.25,272,508,079/- with reference to the rule no. 7.6 (iv) of continuing listing requirements of the CSE.

As the float adjusted market capitalisation was over Rs. 10 Bn, Aitken Spence PLC complies under option 1 of minimum public holding requirement. (as per the rule no. 7.13.1 (a) of continuing listing requirements of the CSE)

Market Capitalisation

As at 31st March



Financial Indicators

Net Asset Per Share

As at 31st March	2023	2022	2021
The Group (Rs.)	183.26	162.44	121.90
The Company (Rs.)	69.04	64.20	46.68

Earnings

For the year ended 31st March	2023	2022	2021
Earnings per share - Basic /Diluted (Rs.)	16.36	25.96	(4.00)
Price earnings ratio (P/E) (Times)	8.01	2.84	(13.88)
Closing Price (Rs.)	131.00	73.70	55.50

Return On Equity

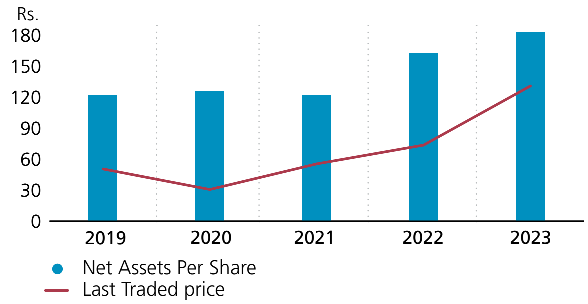
For the year ended 31st March	2023	2022	2021
Return On Equity (%)	9.47	18.26	(3.24)

Dividends

For the year ended 31st March	2023	2022	2021
Dividend per share (Rs.)	4.00	4.00	1.00
Dividend cover (Times)	4.09	6.49	(4.00)
Dividend payout ratio	0.24	0.15	(0.25)

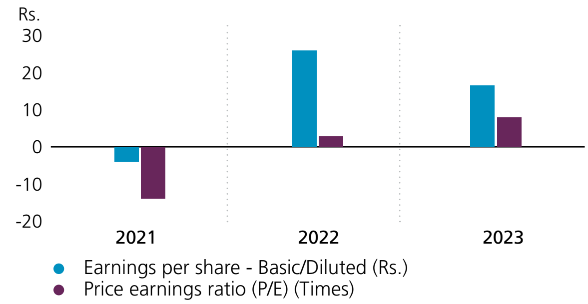
Net Assets vs Share Price

As at 31st March



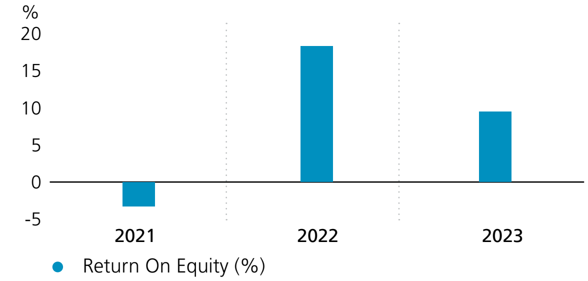
Earnings Per Share vs P/E Ratio

For the Year Ended 31st March



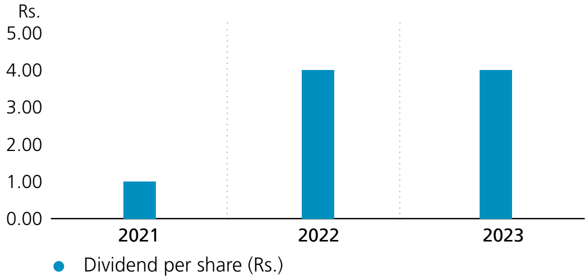
Return On Equity

For the Year Ended 31st March



Dividend Per Share

For the Year Ended 31st March



INVESTOR INFORMATION

History of dividend per share, dividend cover and dividend payout ratio for the past 10 years

Year	Dividend per share (Rs.)	Dividend cover (Times)	Dividend payout ratio
2013/2014	2.00	4.52	0.22
2014/2015	2.00	4.41	0.23
2015/2016	1.50	3.33	0.30
2016/2017	1.75	4.07	0.25
2017/2018	2.00	4.38	0.23
2018/2019	2.50	4.02	0.25
2019/2020	1.25	4.69	0.21
2020/2021	1.00	(4.00)	(0.25)
2021/2022	4.00	6.49	0.15
2022/2023	4.00	4.09	0.24

Shareholder Composition

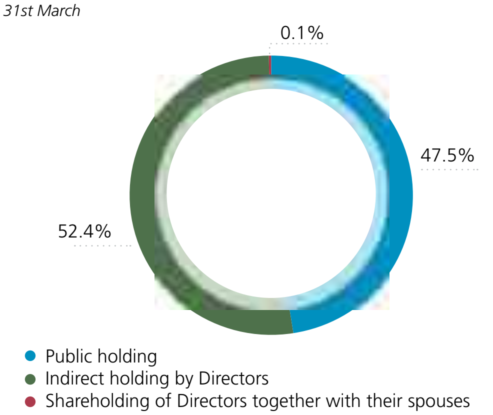
Public Holding

The percentage of public holding as at 31st March 2023 was 47.52% and was represented by 4,347 shareholders. (31st March 2022 - 45.66%, represented by 4,664 shareholders) (As per the Rule No.7.6 (iv) of continuing listing requirements of the CSE)

	%	No of Shares
Public holding	47.52	192,919,909
Indirect holding by Directors	52.38	212,673,171
Shareholding of Directors together with their spouses	0.10	402,965
Total	100.00	405,996,045

Ownership Structure

As at 31st March



Distribution of shareholding

As at 31st March Share holder category	2023 No of shareholders	2023 No of shares	2023 %	2022 No of shareholders	2022 No of shares	2022 %
1 - 1,000	2,692	682,600	0.17	2,817	764,688	0.19
1,001 - 10,000	1,116	4,114,811	1.01	1,230	4,590,746	1.13
10,001 - 100,000	442	13,605,575	3.35	499	16,297,768	4.01
100,001 - 1,000,000	80	20,291,007	5.00	100	25,332,861	6.24
1,000,001 - above	23	367,302,052	90.47	26	359,009,982	88.43
Total	4,353	405,996,045	100.00	4,672	405,996,045	100.00

There were 4,353 registered shareholders as at 31st March 2023 and they are entitled for one vote per share. (31st March 2022 - 4,672)

Residents/Non-Residents

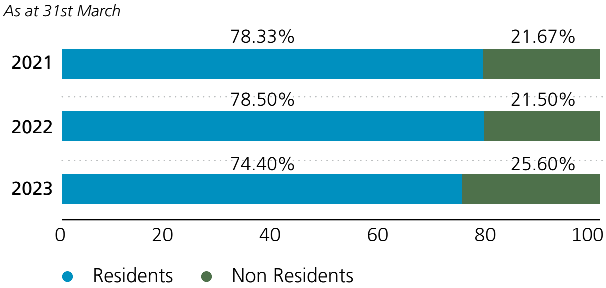
As at 31st March	2023		2022	
	No of shares	%	No of shares	%
Residents	302,080,670	74.40	318,689,626	78.50
Non-Residents	103,915,375	25.60	87,306,419	21.50
Total	405,996,045	100.00	405,996,045	100.00

Institutions/Individuals

As at 31st March	2023		2022	
	No of shares	%	No of shares	%
Institutions	360,259,001	88.73	351,831,429	86.66
Individuals	45,737,044	11.27	54,164,616	13.34
Total	405,996,045	100.00	405,996,045	100.00

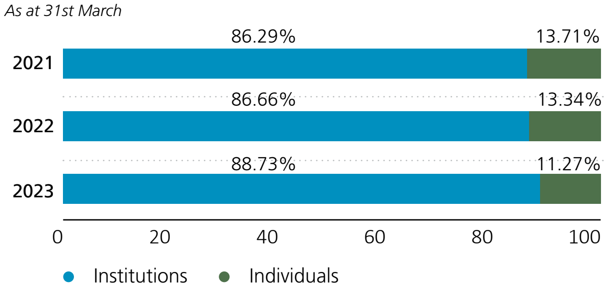
Residents/Non-Residents

As at 31st March



Institutions/Individuals

As at 31st March



INVESTOR INFORMATION

Twenty Largest Shareholders as at 31st March 2023

	Name	No of shares	%
1	Melstacorp PLC	208,410,213	51.33
2	Rubicond Enterprises Limited	65,990,145	16.25
3	Employee's Provident Fund	20,590,978	5.07
4	Citibank New York S/A Norges Bank Account 2	10,779,412	2.66
5	Estate of the Late Mr. G.C. Wickremasinghe	7,308,240	1.80
6	SSBT-Sunsuper Pty. Ltd. as Trustee for Sunsuper Superannuation Fund	6,787,374	1.67
7	Finco Holdings (Private) Limited	6,483,061	1.60
8	Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	6,017,027	1.48
9	Placidrange Holdings Limited	5,521,500	1.36
10	Northern Trust Company S/A Hosking Global Fund PLC	4,212,935	1.04
11	Miss. A.T. Wickremasinghe	3,211,975	0.79
12	Mrs. K. Fernando	3,135,070	0.77
13	Employees Trust Fund Board	2,571,870	0.63
14	Milford Exports (Ceylon) (Private) Limited	2,232,978	0.55
15	Mr. G. Wickremasinghe	2,210,000	0.54
16	Stassen Exports (Private) Limited	2,029,980	0.50
17	Hatton National Bank PLC-Senfin Growth Fund	1,864,676	0.46
18	Union Assurance PLC-Universal Life Fund	1,534,626	0.38
19	Bank of Ceylon No. 1 Account	1,391,150	0.34
20	SSBTC-Commonwealth Bank Group Super	1,383,691	0.34
	Total	363,666,901	89.56

Shareholding of Directors together with their spouses

As at 31st March	2023	2022
Mr. J.M.S. Brito	374,126	592,621
Ms. D.S.T. Jayawardena	27,839	27,839
Mr. R.N. Asirwatham	1,000	1,000
Total	402,965	621,460

Directors' Indirect holding in Aitken Spence PLC

As at 31st March		2023	2022
Deshamanya D.H.S. Jayawardena/Ms. D.S.T. Jayawardena/Mr. C.R. Jansz/ Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera	- Melstacorp PLC	208,410,213	204,314,171
Deshamanya D.H.S. Jayawardena/Ms. D.S.T. Jayawardena/Mr. C.R. Jansz	- Milford Exports (Ceylon) (Pvt) Limited	2,232,978	5,114,500
	- Stassen Exports (Private) Limited	2,029,980	3,244,500
Total		212,673,171	212,673,171

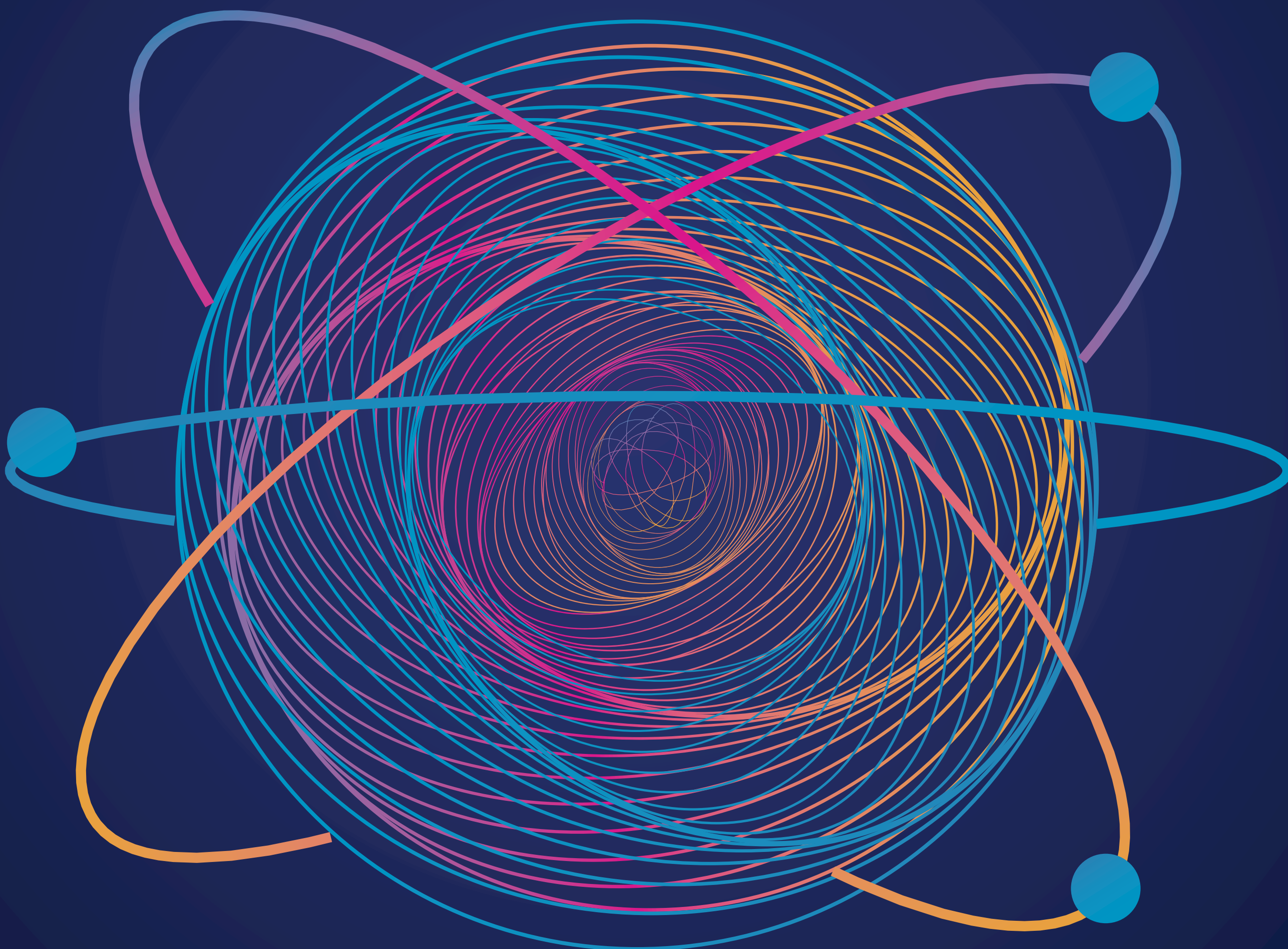
Directors' shareholding in group companies

As at 31st March		2023	2022
Aitken Spence Hotel Holdings PLC	- Mr. J.M.S. Brito	300,658	300,658
	- Ms. D.S.T. Jayawardena	16,000	16,000
	- Mr. R.N. Asirwatham	1,000	1,000

A Triplex of Success

Achieving

Growth | Continuity | Strength



Financial Statements

FINANCIAL INFORMATION

Financial calendar 2022/2023

Interim Financial Statements

Interim financial statements for the three months ended on 30th June 2022	Approved on 10th August 2022
Interim financial statements for the six months ended on 30th September 2022	Approved on 03rd November 2022
Interim financial statements for the nine months ended on 31st December 2022	Approved on 09th February 2023
Interim financial statements For the year ended 31st March 2023	Approved on 25th May 2023

Audited Financial Statements

Audited financial statements for the year ended on 31st March 2023	Approved on 06th June 2023

Dividends

Interim dividend for the year ended on 31st March 2022	Paid on 31st May 2022
First and final dividend for the year ended on 31st March 2023	Recommended on 26 May 2023

Annual General Meeting

71st Annual General Meeting	30th June 2023

Financial highlights

Q1 - 2022/2023 (Rs. Millions)	
Revenue	21,447
Profit from operations	8,174
Profit for the period	6,305
Profit Attributable to Equity holders	5,851
Profit per share (Rs.)	14.41
Net assets per share (Rs.)	182.44

Q2 - 2022/2023 (Rs. Millions)	
Revenue	21,895
Profit from operations	3,132
Profit for the period	755
Profit Attributable to Equity holders	913
Earnings per share (Rs.)	2.25
Net assets per share (Rs.)	185.08

Q3 - 2022/2023 (Rs. Millions)	
Revenue	24,462
Profit from operations	4,171
Profit for the period	254
Profit Attributable to Equity holders	399
Earnings per share (Rs.)	0.98
Net assets per share (Rs.)	185.79

Q4 - 2022/2023 (Rs. Millions)	
Revenue	30,300
Profit from operations	3,507
Profit for the period	762
Loss Attributable to Equity holders	(519)
Loss per share (Rs.)	(1.28)
Net assets per share (Rs.)	183.26

Year ended 2022/2023 (Rs. Millions)			
Revenue	98,104	Profit from operations	18,984
Profit for the year	8,076	Profit Attributable to Equity holders	6,644
Earnings per share (Rs.)	16.36	Net assets per share (Rs.)	183.26

INDEX TO THE FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act No. 7 of 2007 requires the Directors of the Company to be responsible for the preparation and presentation of the Financial Statements and other statutory reports. The responsibilities of the Directors, in relation to the Financial Statements of Aitken Spence PLC and the Consolidated Financial Statements of the Group are set out in this Report.

The Directors confirm that the Financial Statements and other statutory reports of the Company and its subsidiaries for the year ended 31st March 2023 incorporated in this Report have been prepared in accordance with the Companies Act No. 7 of 2007, the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Listing Rules of the Colombo Stock Exchange.

The Directors have taken appropriate steps to ensure that the companies within the Group maintain adequate and accurate records which reflect the true financial position of each such company and hence the Group. The Directors have taken appropriate and reasonable steps to safeguard the assets of the Company and the Group. The Directors have instituted appropriate systems of internal control in order to minimise and detect fraud, errors and other irregularities. The Directors in maintaining a sound system of internal control and in protecting the assets of the Company, have further adopted risk management strategies to identify and evaluate the risks which the Company could be exposed to and its impact to the Company.

The Directors having considered the Group's business plans and a review of its current and future operations are of the view that the Company and the Group have adequate resources to continue in operation. The Directors have adopted the going concern basis in preparing the Financial Statements.

The Financial Statements presented in this Annual Report for the year ended 31st March 2023 have been prepared based on the Sri Lanka Accounting Standards (SLFRS/LKASs). The Directors have selected the appropriate accounting policies and such policies adopted by the Group are disclosed and explained in the Financial Statements.

The Board of Directors confirm that the Company and the Group's Consolidated Statements of Financial Position as at 31st March 2023 and the Comprehensive Income Statements for the Company and the Group for the financial year ended 31st March 2023 reflect a true and fair view of the Company and the Group.

The Directors have provided the Auditors with every opportunity to carry out any reviews and tests that they consider appropriate and necessary for the performance of their duties. The responsibility of the Independent Auditors in relation to the Financial Statements is set out in the Independent Auditors' Report.

The Directors confirm that to the best of their knowledge all payments to employees, regulatory and statutory authorities due and payable by the Company and its subsidiaries have been either duly paid or adequately provided for in the Financial Statements. The Directors further confirm that they promote the highest ethical, environmental and safety standards within the Group. The Directors also ensure that the relevant national laws, international laws and codes of regulatory authorities, professional institutes and trade associations have been complied with by the Group.

By order of the Board,

Aitken Spence PLC

Aitken Spence Corporate Finance (Private) Limited

Secretaries

06th June 2023

Colombo

INDEPENDENT AUDITOR'S REPORT

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

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Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

To the Shareholders of Aitken Spence PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aitken Spence PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2023, and the income statements, statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 263 to 380.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revaluation of freehold land

Refer the note 15 to the consolidated financial statements

Risk description	Our response
As at 31st March 2023, freehold land is carried at fair value and classified as property, plant and equipment. The Group has recorded a net gain on revaluation of Freehold Land amounting to Rs. 3,567 million as at 31st March 2023. Freehold land is measured at revalued amounts in the statement of financial position. The Group has engaged independent professional valuers with appropriate expertise in valuing properties, in locations of properties being valued to determine the revalued amounts of the lands in accordance with recognised industry standards. We identified revaluation of freehold land as a key audit matter because of the significant judgement and estimates involved in assessing the fair value of the Freehold Land.	Our audit procedures included, » Assessing the objectivity, independence, competence, and qualification of the external valuers. » Assessing the key assumptions applied and conclusions made by the valuers in deriving the fair value of the properties and comparing the same with evidence of current market values and consultation with internal specialist. » Reviewing the work carried out by component auditors where necessary. » Assessing the adequacy of the Group disclosures in the financial statements.

KPMG

Impairment assessment of goodwill, investments in subsidiaries, and equity-accounted investees

Refer to notes 17, 20, and 21 to the consolidated financial statements

Risk description	Our response
The Company holds investments in subsidiaries amounting to Rs. 14,148 million as at 31st March 2023. Further, the Group holds investments in equity-accounted investees amounting to Rs. 9,238 million and goodwill amounting to Rs. 1,630 million as at 31st March 2023. The carrying amount of each investments in subsidiaries, and investments in equity-accounted investees have been tested for impairment as individual Cash Generating Units and management allocated goodwill to the respective cash-generating units ('CGU") and the recoverable amounts of the identified CGUs have been determined based on value-in-use calculations. Investments that do not generate adequate returns may be an indication of impairment. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations. Further, the prevailing volatile macro-economic environment resulted in an interruption in business activities, which would adversely affect the ability to generate an adequate return, indicating potential impairment to the investments. We considered the management's impairment assessment of goodwill, investments in equity accounted investees, and investments in subsidiaries to be a key audit matter due to the magnitude of the carrying value, and management impairment assessment is based on forecasting and discounting cash flows, which are inherently judgmental.	Our audit procedures included, » Obtaining an understanding of management's impairment assessment process. » Evaluating the reasonableness of the Group's key assumptions for its revised cash flow projections such as discount rates, cost inflation, and business growth with reference to the internally and externally derived sources, and evaluating the Group budgetary process and reasonableness of historical forecasts. » Reviewing of value in use computations for recoverable amounts with impairment indications and discussion with the management of the Group. » Assessing the adequacy of the disclosures in the financial statements in respect of impairment testing.

Financial instruments

Refer the note 37 to the consolidated financial statements

Risk description	Our response
The effective portion of a cash flow hedge has been recognised under other comprehensive income amounting to Rs. 418 million as at 31st March 2023. A subsidiary company of the tourism sector has hedged its Euro currency revenue against the contractual future loan repayments. Rules on hedge accounting requirements and documentation can be complicated. Lack of compliance with documentation rules, hedge effectiveness rules, and probability criteria could lead to income statement volatility. Hedge relationships are formally documented and designated at inception. The documentation includes identification of the hedged item and the hedging instrument and details of the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in fair values or cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. We identified this as a key audit matter due to the complexities and high level of judgment involved in determining the hedging item, hedge instrument and the testing effectiveness as required by the accounting standards.	Our audit procedures included, » Assessing the nature of the hedge relationships and testing compliance with specific hedge accounting requirements for foreign currency hedging. » Examining the accounting treatment applied for hedges, in particular when reclassifying gains and losses from reserves to the income statement and adjustments to the carrying value of the hedged item. » Assessing the adequacy of the disclosure in financial instruments by agreeing the financial statements to the underlying workings prepared by management and ensuring classification is consistent with the accounting principles. » Reviewing the work carried out by component auditors where necessary. » Assessing the adequacy of the Group disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2599.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

06th June 2023

INCOME STATEMENTS

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Revenue	7	98,104,323	54,696,051	1,142,281	753,861
Revenue taxes		(1,115,329)	(543,819)	(11,814)	-
Net revenue		96,988,994	54,152,232	1,130,467	753,861
Other operating income	8	2,022,132	7,379,831	5,548,437	7,926,339
Changes in inventories of finished goods and work-in-progress		333,119	354,787	-	-
Raw materials and consumables used		(8,060,012)	(4,047,780)	-	-
Employee benefits expense		(15,132,571)	(9,761,301)	(931,770)	(663,161)
Depreciation, amortisation and impairment losses of non-financial assets	9	(7,182,160)	(4,882,112)	(67,964)	(218,814)
Other operating expenses - direct	10	(35,543,193)	(20,495,269)	-	-
Other operating expenses - indirect		(14,442,470)	(6,313,116)	(1,003,455)	(629,474)
Profit from operations	9	18,983,839	16,387,272	4,675,715	7,168,751
Finance income	11	2,884,357	1,160,931	3,105,440	1,143,193
Finance expenses	11	(11,736,887)	(4,006,254)	(4,187,752)	(1,090,510)
Net finance income / (expense)		(8,852,530)	(2,845,323)	(1,082,312)	52,683
Share of profit of equity-accounted investees (net of tax)	21	1,070,137	682,231	-	-
Profit before tax		11,201,446	14,224,180	3,593,403	7,221,434
Income tax expense	12	(3,125,077)	(2,068,363)	(4,494)	278,728
Profit for the year		8,076,369	12,155,817	3,588,909	7,500,162
Attributable to:					
Equity holders of the company		6,644,027	10,539,592	3,588,909	7,500,162
Non-controlling interests		1,432,342	1,616,225	-	-
Profit for the year		8,076,369	12,155,817	3,588,909	7,500,162
Earnings per share - basic/diluted (Rs.)	13	16.36	25.96	8.84	18.47

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
For the year ended 31st March	Notes	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit for the year		8,076,369	12,155,817	3,588,909	7,500,162
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of freehold land	15	3,566,785	950,470	-	-
Actuarial gains / (losses) on defined benefit obligations	33	(51,294)	287,573	(1,943)	30,103
Equity investments at FVOCI – net change in fair value		(1,179)	(5,512)	(2,357)	(2,687)
Share of other comprehensive income of equity-accounted investees (net of tax)	21	52,301	18,287	-	-
Income tax on other comprehensive income	12.5	(1,859,207)	(48,231)	4,095	(6,956)
		1,707,406	1,202,587	(205)	20,460
Items that are or may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		2,770,806	7,949,214	-	-
Net movement on cash flow hedges	37.2	(417,788)	(2,715,462)	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)	21	168,399	1,057,476	-	-
		2,521,417	6,291,228	-	-
Other comprehensive income / (loss) for the year, (net of tax)		4,228,823	7,493,815	(205)	20,460
Total comprehensive income for the year		12,305,192	19,649,632	3,588,704	7,520,622
Attributable to:					
Equity holders of the company		10,249,996	16,719,329	3,588,704	7,520,622
Non-controlling interests		2,055,196	2,930,303	-	-
Total comprehensive income for the year		12,305,192	19,649,632	3,588,704	7,520,622

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF FINANCIAL POSITION

As at	Notes	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
ASSETS					
Non-current assets					
Property, plant and equipment	15	105,499,126	95,810,136	83,927	91,384
Investment properties	16	1,631,581	1,631,904	3,417,456	3,419,339
Intangible assets	17	1,739,817	1,358,973	58,941	77,044
Biological assets	18	71,334	69,669	-	-
Right-of-use assets	19	19,136,841	18,844,699	-	-
Investments in subsidiaries	20	-	-	14,147,512	13,040,491
Investments in equity-accounted investees	21	9,238,093	8,564,101	2,659,955	2,659,955
Deferred tax assets	22	1,619,314	1,336,394	640,002	647,131
Other financial assets	23	1,028,075	314,359	11,879	14,236
		139,964,181	127,930,235	21,019,672	19,949,580
Current assets					
Inventories	24	5,274,192	3,858,694	6,828	6,955
Trade and other receivables	25	21,243,529	21,135,828	5,756,124	4,615,363
Current tax receivable		132,307	111,239	67,015	39,677
Deposits and prepayments		4,265,451	2,086,513	44,034	104,960
Other current assets	26	27,073,092	25,128,390	20,546,443	19,524,210
Cash and short-term deposits	27	16,215,515	15,343,546	3,028,386	3,730,842
		74,204,086	67,664,210	29,448,830	28,022,007
Assets classified as held for sale	28	169,423	1,751,094	72,237	72,237
Total assets		214,337,690	197,345,539	50,540,739	48,043,824
EQUITY AND LIABILITIES					
Equity					
Stated capital	29.1	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	29.2	42,525,804	36,649,102	19,069,591	16,825,160
Retained earnings		29,743,417	27,164,516	6,826,177	7,105,888
Total equity attributable to equity holders of the company		74,404,361	65,948,758	28,030,908	26,066,188
Non-controlling interests		11,811,656	11,496,921	-	-
Total equity		86,216,017	77,445,679	28,030,908	26,066,188
Non-current liabilities					
Interest-bearing loans and borrowings	30	46,948,858	49,274,764	2,613,456	3,518,534
Lease liabilities	31	15,713,625	15,835,194	-	-
Deferred tax liabilities	32	5,581,239	3,176,142	-	-
Employee benefits	33	1,306,358	1,102,308	106,567	87,629
Other liabilities	34	418,493	481,452	-	-
		69,968,573	69,869,860	2,720,023	3,606,163
Current liabilities					
Interest-bearing loans and borrowings	30	9,618,620	8,677,206	1,373,604	1,666,706
Lease liabilities	31	1,831,047	1,570,210	-	-
Trade and other payables	35	22,768,646	29,507,402	8,009,291	13,823,465
Current tax payable		1,143,535	658,179	-	-
Bank overdrafts and other short-term borrowings	27	22,791,252	9,617,003	10,406,913	2,881,302
		58,153,100	50,030,000	19,789,808	18,371,473
Total equity and liabilities		214,337,690	197,345,539	50,540,739	48,043,824

The above statements of financial position are to be read in conjunction with the notes to the financial statements on pages 272 to 380.

I certify that the financial statements for the year ended 31st March 2023 are in compliance with the requirements of the Companies Act No. 7 of 2007.

Ms. N. Sivapragasam
Chief Financial Officer

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

For and on behalf of the Board:

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena
Executive Director

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

06th June 2023
Colombo, Sri Lanka

AITKEN SPENCE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Attributable to equity holders of the company			
	Stated capital	Revaluation reserve	Other capital reserves	General reserves
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April 2021	2,135,140	9,019,561	148,440	14,227,074
Profit for the year	-	-	-	-
Other comprehensive income /(loss) for the year (note 29.3.1)	-	808,653	-	-
Total comprehensive income / (loss) for the year	-	808,653	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Acquisition and changes in non-controlling interest	-	-	-	-
Transfer to reserves	-	-	-	2,655,753
Final dividends for 2020/2021 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	-	-	2,655,753
Balance as at 31st March 2022	2,135,140	9,828,214	148,440	16,882,827
Adjustment on Surcharge tax levied under Surcharge Act (note 12.3)	-	-	-	-
Balance as at 01st April 2022 (Adjusted)	2,135,140	9,828,214	148,440	16,882,827
Profit for the year	-	-	-	-
Other comprehensive income / (loss) for the year (note 29.3.1)	-	1,719,485	-	-
Total comprehensive income / (loss) for the year	-	1,719,485	-	-
Share of net assets of equity-accounted investees	-	-	-	-
Transfer to reserves	-	-	-	2,243,276
Interim dividends for 2021/2022 (note 14)	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-
Total contributions and distributions recognised directly in equity	-	-	-	2,243,276
Balance as at 31st March 2023	**2,135,140**	**11,547,699**	**148,440**	**19,126,103**

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Attributable to equity holders of the company					Non-controlling interests	Total equity
Exchange fluctuation reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total		
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
5,545,133	(10,432)	(915,640)	19,340,780	49,490,056	9,702,142	59,192,198
-	-	-	10,539,592	10,539,592	1,616,225	12,155,817
6,389,169	(4,961)	(1,213,648)	200,524	6,179,737	1,314,078	7,493,815
6,389,169	(4,961)	(1,213,648)	10,740,116	16,719,329	2,930,303	19,649,632
-	-	-	141,856	141,856	7,479	149,335
-	-	-	3,513	3,513	(3,513)	-
-	-	-	(2,655,753)	-	-	-
-	-	-	(405,996)	(405,996)	-	(405,996)
-	-	-	-	-	(1,139,490)	(1,139,490)
-	-	-	(2,916,380)	(260,627)	(1,135,524)	(1,396,151)
11,934,302	(15,393)	(2,129,288)	27,164,516	65,948,758	11,496,921	77,445,679
-	-	-	(364,951)	(364,951)	(66,820)	(431,771)
11,934,302	(15,393)	(2,129,288)	26,799,565	65,583,807	11,430,101	77,013,908
-	-	-	6,644,027	6,644,027	1,432,342	8,076,369
2,098,820	1,847	(186,726)	(27,457)	3,605,969	622,854	4,228,823
2,098,820	1,847	(186,726)	6,616,570	10,249,996	2,055,196	12,305,192
-	-	-	194,542	194,542	(93)	194,449
-	-	-	(2,243,276)	-	-	-
-	-	-	(1,623,984)	(1,623,984)	-	(1,623,984)
-	-	-	-	-	(1,673,548)	(1,673,548)
-	-	-	(3,672,718)	(1,429,442)	(1,673,641)	(3,103,083)
14,033,122	(13,546)	(2,316,014)	29,743,417	74,404,361	11,811,656	86,216,017

AITKEN SPENCE PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Stated capital Rs.'000	General reserves Rs.'000	Fair value reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at 01st April 2021	2,135,140	14,197,410	(25,585)	2,644,597	18,951,562
Profit for the year	-	-	-	7,500,162	7,500,162
Other comprehensive income /(loss) for the year (note 29.3.2)	-	-	(2,418)	22,878	20,460
Total comprehensive income / (loss) for the period	-	-	(2,418)	7,523,040	7,520,622
Transfer to general reserve	-	2,655,753	-	(2,655,753)	-
Final dividends for 2020/2021 (note 14)	-	-	-	(405,996)	(405,996)
Total contributions and distributions recognised directly in equity	-	2,655,753	-	(3,061,749)	(405,996)
Balance as at 31st March 2022	2,135,140	16,853,163	(28,003)	7,105,888	26,066,188
Profit for the year	-	-	-	3,588,909	3,588,909
Other comprehensive income /(loss) for the year (note 29.3.2)	-	-	1,155	(1,360)	(205)
Total comprehensive income for the period	-	-	1,155	3,587,549	3,588,704
Transfer to general reserve	-	2,243,276	-	(2,243,276)	-
Interim dividends for 2021/2022 (note 14)	-	-	-	(1,623,984)	(1,623,984)
Total contributions and distributions recognised directly in equity	-	2,243,276	-	(3,867,260)	(1,623,984)
Balance as at 31st March 2023	2,135,140	19,096,439	(26,848)	6,826,177	28,030,908

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Cash flows from operating activities					
Profit before tax		11,201,446	14,224,180	3,593,403	7,221,434
Adjustments for					
Depreciation and amortisation		7,175,187	4,852,204	49,936	42,990
Interest expense		11,393,106	3,835,941	4,183,762	1,086,904
(Gain) / loss on disposal of property, plant and equipment	8	10,709	(15,298)	(30)	(749)
Net gain on termination of lease	8	(10,511)	-	-	-
Loss on retirement of assets held for sale	8	72,269	-	-	-
Gain from bargain purchase	8	-	(145,613)	-	-
Interest income	11	(2,884,357)	(1,160,931)	(3,105,440)	(1,143,193)
Share of profit of equity-accounted investees (net of tax)	21	(1,070,137)	(682,231)	-	-
Impairment losses of investments in subsidiaries and equity-accounted investees		-	30,570	18,004	175,400
Impairment losses / (reversals) of inventories		6,973	(662)	24	424
Impairment losses / (reversals) and write offs of trade and other receivables		407,680	(106,758)	292,317	240,904
Movement in assets held for sale		(5,298)	-	-	-
Net foreign exchange (gain) / loss		1,515,911	(3,715,380)	719,738	(4,438,472)
Provision for retirement benefit obligations	33	242,385	166,825	23,394	23,231
		16,853,917	3,058,667	2,181,705	(4,012,561)
Operating profit before working capital changes		28,055,363	17,282,847	5,775,108	3,208,873
(Increase)/decrease in trade and other receivables		(914,489)	(6,388,992)	(1,433,078)	(904,651)
(Increase)/decrease in inventories		(1,422,471)	(1,495,428)	103	(2,364)
(Increase)/decrease in deposits and prepayments		(2,178,574)	(910,016)	60,926	(26,501)
Increase/(decrease) in trade and other payables		(6,863,538)	17,268,778	(5,324,876)	7,254,912
Increase/(decrease) in other liabilities		(62,959)	91,159	-	-
		(11,442,031)	8,565,501	(6,696,925)	6,321,396
Cash generated from /(used in) operations		16,613,332	25,848,348	(921,817)	9,530,269
Interest paid		(10,235,334)	(3,093,756)	(4,151,544)	(1,082,317)
Income tax paid		(2,376,819)	(808,656)	(20,607)	(10,673)
Surcharge tax paid		(431,771)	-	-	-
Retirement benefit obligations paid	33	(108,815)	(149,001)	(6,399)	(4,336)
		(13,152,739)	(4,051,413)	(4,178,550)	(1,097,326)
Net cash generated from / (used in) operating activities		3,460,593	21,796,935	(5,100,367)	8,432,943
(carried forward to next page)					

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

STATEMENTS OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
(brought forward from previous page)					
Cash flows from investing activities					
Interest received		2,872,699	1,154,088	3,104,434	1,143,750
Investment in subsidiaries	A	(1,499,440)	(852,500)	(1,625,000)	(892,152)
Investment in equity accounted investees		(17,500)	(49,700)	-	(24,625)
Investment in equity securities and debt		(1,044)	(3,128)	(1,044)	(728)
Acquisition of property, plant and equipment *	15	(2,965,293)	(1,374,918)	(22,493)	(24,701)
Acquisition of investment properties	16	-	(631)	-	(631)
Acquisition of intangible assets	17	(9,053)	(72,670)	-	(69,855)
Acquisition of biological assets *	18	(2,539)	(7,754)	-	-
Proceeds from disposal of property, plant and equipment		20,435	53,707	30	794
Proceeds from retirement of equity securities and debt		2,007	2,160	2,007	2,160
Proceeds/(purchase) from other financial assets and liabilities (net)		(1,546,181)	(5,641,431)	(655,375)	(2,147,119)
Proceeds on retirement of assets held for sale		1,878,448	-	-	-
Dividends paid to non-controlling interests		(1,673,548)	(1,139,490)	-	-
Dividends received from equity accounted investees		828,794	442,662	-	-
Net cash generated from / (used in) investing activities		(2,112,215)	(7,489,605)	802,559	(2,013,107)
Cash flows from financing activities					
Proceeds from interest-bearing loans and borrowings	30	321,921	1,217,750	-	1,003,750
Repayment of interest-bearing loans and borrowings	30	(9,457,668)	(2,368,915)	(1,914,753)	(1,306,500)
Payment of lease liabilities	19.3	(1,887,444)	(1,439,891)	-	-
Dividends paid to equity holders of the parent		(1,613,307)	(402,984)	(1,613,307)	(402,984)
Net cash used in financing activities		(12,636,498)	(2,994,040)	(3,528,060)	(705,734)
Net increase / (decrease) in cash and cash equivalents		(11,288,120)	11,313,290	(7,825,868)	5,714,102
Cash and cash equivalents at beginning of the year		5,726,543	(7,103,752)	849,540	(5,815,457)
Effect of movements in exchange rates		(1,014,160)	1,517,005	(402,199)	950,895
Cash and cash equivalents at end of the year	27	(6,575,737)	5,726,543	(7,378,527)	849,540

* There were no capitalised borrowing cost on acquisition of property, plant and equipment and biological assets for 2022/2023. (2021/2022 -Biological assets Rs. 2.2 million and property, plant and equipment -nil). (Company-nil).

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the statements of cash flows

A. Acquisition of subsidiary

On 05th July 2022, Aitken Spence PLC acquired 100% of the shareholding of Sagasolar Power (Pvt) Ltd., which operates a 10 MW solar power project in Hambantota, Sri Lanka for a total consideration of Rs.1.4 billion.

For the nine months ended 31st March 2023, Sagasolar Power (Pvt) Ltd contributed revenue of Rs. 364.3 million and profit of Rs. 140.9 million to the Group's results. If the acquisition had occurred on 01st April 2022, management estimates that Group revenue and profit would have been Rs. 98,208.1 million and Rs. 8,102.4 million respectively. In determining these amounts, management has assumed that the fair values adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 01st April 2022.

The fair values of assets and liabilities acquired in respect of this investment are included below;

	GROUP
For the year ended 31st March	2023 Rs.'000
Property, plant & equipment	(1,927,874)
Right-of-use assets	(57,404)
Trade and other receivables	(326,416)
Deposits and prepayments	(364)
Current tax receivable	2,938
Interest-bearing loans and borrowings	996,235
Lease liabilities	25,827
Deferred tax liabilities	4,877
Trade and other payables	114,105
Cash and cash equivalent	99,440
Total identifiable net assets acquired	(1,068,636)
Goodwill on acquisition	(331,364)
Purchase consideration transferred	(1,400,000)
Cash and cash equivalents acquired	(99,440)
Net cash outflow on acquisition of the company	(1,499,440)

The notes on pages 272 through 380 form an integral part of these financial statements.

Figures in brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting Entity

Aitken Spence PLC., (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business is located at "Aitken Spence Tower II", 315 Vauxhall Street, Colombo 02.

The consolidated financial statements of the Group as at, and for the year ended 31st March 2023 comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The principal activities of the Company and the other entities consolidated with it are disclosed in pages 408 to 415 of this report. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

The immediate parent of Aitken Spence PLC is Melstacorp PLC and ultimate parent is Milford Exports (Ceylon) (Private) Ltd.

2 Basis of Preparation

2.1 Statement of compliance

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs), laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

These financial statements, except for information on cash flows and items measured at fair value as described in note 2.4 have been prepared following the accrual basis of accounting.

The tax liability arising from the Surcharge Tax Act No. 14 of 2022 has been accounted as recommended by the Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the note 12.3 on Income Taxes.

The Group did not adopt any inappropriate accounting treatment, which is not in compliance with the requirements of the SLFRSs and LKASs and regulations governing the preparation and presentation of the Financial Statements.

2.2 Responsibility for financial statements

The Board of Directors of the Company acknowledges its responsibility for the Financial Statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for Financial Statements" and the "certification on the Statement of Financial Position".

2.3 Approval of financial statements by Directors

The financial statements of the Group and the Company for the year ended 31st March 2023 were approved and authorised for issue by the Board of Directors on the 06th of June 2023. These financial statements include the following components :

» an Income Statement and a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer pages 263 and 264;

» a Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 265;

» a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company. Refer pages 266 and 268;

» a Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 269;

» notes to the financial statements comprising significant accounting policies and other explanatory information. Refer pages 272 to 380.

2.4 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items stated in the Statement of Financial Position.

Item	Basis of measurement	Note number
Land (recognised under property, Plant and Equipment)	Measured at cost at the time of acquisition and subsequently at revalued amounts which are the fair values at the date of revaluation.	15
Financial assets classified as fair value through profit or loss	Measured at fair Value	26.1.1 and 37
Financial assets classified as fair value through other comprehensive income.	Measured at fair Value	23.1.1 and 37

Item	Basis of measurement	Note number
Assets classified as held for sale	Measured at the lower of carrying amount and fair value less cost to sell	28
Retirement benefit obligations	Measured at the present value of the defined benefit obligation	33.1
Lease liabilities	Measured at amortised cost using effective interest method	31

2.5 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency), which is the Sri Lankan Rupee.

The financial statements are presented in Sri Lankan Rupees. All financial information presented in Rupees has been rounded to the nearest thousand except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

Each Group company determines its own functional currency and items included in the financial statements of these companies are measured using that functional currency. There were no changes in the presentation or functional currency of the Group companies during the year under review.

Functional currency of all the Group companies is Sri Lankan Rupees other than the following companies whose functional currency is either based on the country of incorporation of the respective company or elements that could influence in determining its functional currency.

Company	Country of Incorporation	Functional Currency
Aitken Spence Hotel Managements Asia (Pvt) Ltd.	Sri Lanka	United States Dollar
Aitken Spence Hotels International (Pvt) Ltd.	Sri Lanka	United States Dollar
Aitken Spence Global Operations (Pvt) Ltd.	Sri Lanka	United States Dollar
A.D.S. Resorts Private Ltd.	Maldives	United States Dollar
Unique Resorts Private Ltd.	Maldives	United States Dollar
Jetan Travel Services Company Private Ltd.	Maldives	United States Dollar
Ace Resorts Private Ltd.	Maldives	United States Dollar
Cowrie Investment Private Ltd.	Maldives	United States Dollar
Ace Aviation Services Maldives Private Ltd.	Maldives	United States Dollar
Interlifts International Private Ltd.	Maldives	United States Dollar
Spence Maldives Private Ltd.	Maldives	United States Dollar
Aitken Spence Resorts (Middle East) LLC.	Oman	Oman Riyal
Aitken Spence Hotel Managements (South India) Ltd.	India	Indian Rupee
Aitken Spence Hotel Services Private Ltd.	India	Indian Rupee
PR Holiday Homes Private Ltd.	India	Indian Rupee
Perumbalam Resorts Private Ltd.	India	Indian Rupee
Crest Star (B.V.I) Ltd.	British Virgin Islands	United States Dollar
Fiji Ports Terminal Ltd.	Fiji	Fiji Dollars
Fiji Ports Corporation Ltd.	Fiji	Fiji Dollars
Ace Bangladesh Ltd.	Bangladesh	Taka
Serendib Investments Ltd.	Fiji	Fiji Dollars
Aitken Spence Travels Myanmar Ltd.	Myanmar	Kyat
Ace Aviation Myanmar Ltd.	Myanmar	Kyat

2.6 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period.

Or

Is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current liabilities.

The Group classifies deferred tax assets and liabilities under non-current assets and liabilities.

2.7 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on 'Presentation of Financial Statements'.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company.

2.9 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisfied that it has the resources to continue in business for the foreseeable future, confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group other than those disclosed in the notes to the financial statements.

3 Use of accounting judgements estimates and assumptions

The preparation of financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported values of assets, liabilities, income, expenses and accompanying disclosures including contingent liabilities. Estimates and judgements which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Items that have a significant effect on Judgements, estimates and assumptions and the respective notes that they are included in are as follows,

Item	Note number
Going concern	2.9
Valuation of property, plant and equipment	15
Impairment of non-financial assets	4.3
Recognition of deferred tax assets	22
Measurement of fair value of unquoted investment.	36
Measurement of loss rate to compute ECL Allowance for trade receivables.	37
Measurement of assets classified as held for sale	28
Measurement of defined benefit obligations: key actuarial assumptions	33
Measurement of contingent liabilities	39.1

4 Summary of significant accounting policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages. Those accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not disclosed with individual notes

Set out below are significant accounting policies, which have been applied consistently by the Group, but not covered in any other sections.

4.1 Basis of consolidation

4.1.1 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

As required by SLFRS 3 - Business Combinations, when the Group acquires a business, it assesses the financial assets and liabilities assumed under classifications or designations on the basis of the contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions that exist as at the acquisition date. The Group applies Definition of a Business (Amendments to SLFRS 3) to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets.

The Group measures goodwill at the acquisition date, as excess of the aggregate of the fair value of the consideration transferred; the recognised amount of any non-controlling interests in the acquiree; the fair value of the pre-existing interest in the acquiree if the business combination is achieved in stages; and the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed; measured at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted within equity, or else subsequent changes in the fair value of the contingent consideration is recognised in the income statement.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually as at 31st March or when circumstances indicate that the carrying value of the goodwill may be impaired. For the purpose of impairment testing, from the acquisition date, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity acquired exceed the cost of the acquisition of the entity, the surplus, which is a gain on bargain purchase is recognised immediately in the consolidated income statement.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

4.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable and other contractual arrangements.

The Group controls an investee if, and only if, the Group has:

» Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

» Exposure, or rights to variable returns from its involvement with the investee

» The ability to use its power over the investee to affect its returns

The Group considers all relevant facts and circumstances in assessing whether it has power over an investee which includes; the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Entities that are subsidiaries of another entity which is a subsidiary of the company are also treated as subsidiaries of the company.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

4.1.3 Non-controlling interest

The proportion of the profits or losses after taxation and each component in the other comprehensive income applicable to outside shareholders of subsidiary companies are included under the heading "Non – controlling interests" in the Consolidated Income Statement and the Statement of Profit or Loss and the Other Comprehensive Income. Losses and negative balances applicable to the non-controlling interests in a subsidiary is allocated to the non-controlling interest even if doing so causes the non-controlling interests to have a deficit balance.

The interest of the minority shareholders in the net assets employed of these companies are reflected under the heading "Non-controlling interests" in the Consolidated Statement of Financial Position.

Acquisitions of non-controlling interests are accounted for as transactions with the equity holders in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Changes to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

4.1.4 Loss of control

On a loss of control of a subsidiary, the Group immediately derecognises the assets including goodwill, liabilities, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

4.1.5 Reporting date

All subsidiaries, and equity accounted investees of the Group have the same reporting period as the parent company other than the following companies. However the Group incorporates the results of these companies up to 31st March in the Group's financial statements.

Company	Reporting Period
Fiji Ports Terminal Ltd.	31st December
Ace Resorts Private Ltd.	31st December
A.D.S. Resorts Private Ltd.	31st December
Unique Resorts Private Ltd.	31st December
Jetan Travel Services Company Private Ltd.	31st December
Cowrie Investment Private Ltd.	31st December
Ace Aviation Services Maldives Private Ltd.	31st December
Spence Maldives Private Ltd.	31st December
Interlifts International Private Ltd.	31st December
Fiji Ports Corporation Ltd.	31st December
Serendib Investments Ltd.	30th June
Aitken Spence Travels Myanmar Ltd.	30th September
Ace Aviation Myanmar Ltd	30th September

4.1.6 Intra-group transactions

Transfer prices between Group entities are set on an arms-length basis in a manner similar to transactions with third parties.

4.1.7 Transactions eliminated on consolidation.

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

4.2 Foreign currencies

4.2.1 Foreign currency transactions and balances.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on re-translation are recognised in the income statement, except for differences arising on the re-translation of FVOCI equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign currency gains and losses are reported on a net basis in the income statement.

4.2.2 Foreign operations

Subsidiaries incorporated outside Sri Lanka are treated as foreign operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency at the rate of exchange prevailing on the reporting date. Income and expenses of the foreign entities are translated at the rate of exchange approximating to the actual rate at the dates of the transactions. For practical purposes this is presumed to be the average rate during each month.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity except to the extent the translation difference is allocated to the non-controlling interest. When a foreign operation is disposed of in a manner that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal. If the Group disposes of only part of its interest in the subsidiary but retains control, the relevant portion of the translation reserve is transferred to non-controlling interest. When the Group disposes of only part of its interest in an equity accounted investee that includes a foreign operation while retaining significant influence or joint-control, the relevant proportion of the cumulative amount of the translation reserve is reclassified to the income statement.

4.3 Impairment – Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amounts of such assets are estimated.

The recoverable amount of goodwill is estimated at each reporting date, or as and when an indication of impairment is identified.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units on acquisition of subsidiaries are allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis.

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

4.3.1 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.

4.3.2 Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Reversals of impairment losses other than for land carried at revaluation are recognised in the income statement. Reversal of impairment loss on a revalued land, other than for a land where impairment loss has been previously recognised in the income statement, is recognised in other comprehensive income and increases the revaluation surplus for that land. For a land where previous impairment loss has been recognised in the income statement the reversal of that impairment loss is also recognised in the income statement.

4.4 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/loss for the year.

4.5 Cash flow

The Statement of Cash Flow has been prepared by using the ‘Indirect Method’ of preparing cash flows in accordance with the Sri Lanka Accounting Standard – LKAS 7 on ‘Statement of Cash Flow’, whereby operating activities, investing activities and financing activities are separately recognised.

5 New and amended standards issued but not effective as at the reporting date.

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Group has not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Group's financial statements.

Classification of liabilities as current or non-current (Amendments to LKAS 01)

The amendment aims to clarify the requirements on determining whether a liability is current or non-current and apply for annual reporting periods beginning on or after 1 January 2023.

The amendments in classification of liabilities as current or non-current (Amendments to LKAS 01) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses or the information that entities disclose about those item.

Deferred tax related to assets and liabilities arising from a single transaction. (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Disclosure of Accounting Policies (Amendment to LKAS 1) IFRS Practice Statement 2

Amendments to LKAS 1 - Presentation of Financial Statements; intends to help companies provide useful accounting policy disclosures. Key amendments to LKAS 1 includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

Definition of Accounting Estimates (Amendments to LKAS 8)

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively. The approach taken can therefore affect both the reported results and trends between periods. Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors will clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

6 Operating segments

ACCOUNTING POLICY

An operating segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs expenses, including revenue and expenses that relate to transactions with the Group's other segments.

The operations of the Group are categorised under four segments based on the nature of the products or services provided by each segment and the risks and rewards associated with the economic environment in which these segments operate. The performance of the Group is evaluated based on the performance of these four main segments by the Group's Managing Director (chief operating decision maker). The internal management reports prepared on these segments are reviewed by the Group's Managing Director on a monthly basis. Details of the Group companies operating under each segment and the products and services offered under each segment are provided under Group Companies in pages 408 to 415.

6.1 Business segments

The Group operates in four business segments namely tourism, maritime and freight logistics, strategic investments and services, segregated based on the nature of the products or services provided and risk and returns of each segment. Segment results and assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
All transactions between group companies whether inter-segmental or intra-segmental are on an arms length basis and in a manner similar to the transactions with third parties.

6.1.1 Business segment analysis of group revenue and profit

For the year ended 31st March	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Total revenue generated	60,465,501	31,538,122	30,180,487	20,405,164	22,796,025	11,974,497	2,352,959	2,393,756	115,794,972	66,311,539
Intra-segmental revenue	(4,320,621)	(1,827,205)	(1,208,534)	(634,521)	(1,286,943)	(1,086,326)	(82,637)	(46,447)	(6,898,735)	(3,594,499)
Total revenue with inter - segmental revenue	56,144,880	29,710,917	28,971,953	19,770,643	21,509,082	10,888,171	2,270,322	2,347,309	108,896,237	62,717,040
Inter - segmental revenue	(45,244)	(28,964)	(432,744)	(308,965)	(701,445)	(435,736)	(218,805)	(162,978)	(1,398,238)	(936,643)
Total revenue with equity-accounted investees	56,099,636	29,681,953	28,539,209	19,461,678	20,807,637	10,452,435	2,051,517	2,184,331	107,497,999	61,780,397
Share of equity-accounted investees' revenue	(270,421)	(171,450)	(5,871,524)	(4,883,532)	(3,251,731)	(2,029,364)	-	-	(9,393,676)	(7,084,346)
Revenue from external customers	55,829,215	29,510,503	22,667,685	14,578,146	17,555,906	8,423,071	2,051,517	2,184,331	98,104,323	54,696,051
Profit from operations	7,874,909	4,765,137	6,080,458	4,320,516	4,453,309	6,588,673	575,163	712,946	18,983,839	16,387,272
Finance income	1,277,850	413,997	1,042,397	253,824	491,830	465,551	72,280	27,559	2,884,357	1,160,931
Finance expenses	(6,452,213)	(2,539,037)	(301,277)	(183,825)	(4,851,419)	(1,259,599)	(131,978)	(23,793)	(11,736,887)	(4,006,254)
Share of profit / (loss) of equity-accounted investees (net of tax)	(374,028)	(188,517)	996,034	542,037	449,769	337,451	(1,638)	(8,740)	1,070,137	682,231
Profit before tax	2,326,518	2,451,580	7,817,612	4,932,552	543,489	6,132,076	513,827	707,972	11,201,446	14,224,180
Income tax expense	(1,591,146)	(1,015,735)	(1,562,772)	(978,161)	113,293	94,863	(84,452)	(169,330)	(3,125,077)	(2,068,363)
Profit for the year	735,372	1,435,845	6,254,840	3,954,391	656,782	6,226,939	429,375	538,642	8,076,369	12,155,817
Depreciation and amortisation	5,456,022	3,504,362	839,405	571,276	789,919	688,137	89,841	88,429	7,175,187	4,852,204
Impairment losses / (reversals) and write offs	(90,891)	(106,304)	(46,275)	(12,240)	532,372	(20,865)	19,447	62,559	414,653	(76,850)
Other non-cash expenses	97,465	65,640	65,018	38,374	66,796	54,626	13,106	8,185	242,385	166,825

There were no impairment losses or any reversals of impairment losses recognised directly in equity during the year.

There was no single customer recording revenue from transactions to the value exceeding 10% of the Group revenue during the financial year under review.

NOTES TO THE FINANCIAL STATEMENTS

6.1.2 Business segment analysis of group assets and liabilities

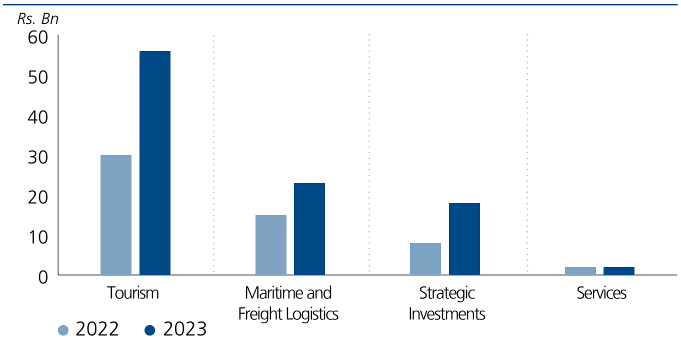
6.1.2.1 Segment assets

As at	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Non-current assets										
Property, plant and equipment	72,924,527	67,651,954	7,577,613	6,204,894	21,766,073	19,122,277	3,230,913	2,831,011	105,499,126	95,810,136
Investment properties	72,000	72,000	-	-	1,559,321	1,559,384	260	520	1,631,581	1,631,904
Intangible assets (other than goodwill)	39,203	58,621	4,889	5,985	63,813	80,563	1,808	1,988	109,713	147,157
Biological assets	-	-	-	-	71,334	69,669	-	-	71,334	69,669
Right-of-use assets	16,888,634	16,392,901	1,657,463	1,888,414	590,220	556,577	524	6,807	19,136,841	18,844,699
Deferred tax assets	698,815	648,888	138,250	20,699	706,690	658,070	75,559	8,737	1,619,314	1,336,394
Other financial assets	998,017	283,123	17,125	15,955	12,933	15,281	-	-	1,028,075	314,359
Segment non-current assets	91,621,196	85,107,487	9,395,340	8,135,947	24,770,384	22,061,821	3,309,064	2,849,063	129,095,984	118,154,318
Investments in equity - accounted investees	19,960	402,334	7,072,741	6,373,405	2,111,946	1,753,279	33,446	35,083	9,238,093	8,564,101
Intangible assets - goodwill on consolidation	-	-	-	-	-	-	-	-	1,630,104	1,211,816
Total non-current assets	91,641,156	85,509,821	16,468,081	14,509,352	26,882,330	23,815,100	3,342,510	2,884,146	139,964,181	127,930,235
Current assets										
Inventories	1,843,279	1,707,787	870,820	575,671	2,320,143	1,390,115	239,950	185,121	5,274,192	3,858,694
Trade and other receivables	8,277,166	8,552,158	6,255,771	15,945,076	13,959,196	8,795,284	1,630,215	1,188,574	30,122,348	34,481,092
Current tax receivable	30,232	49,720	19,151	10,441	78,692	47,510	4,232	3,568	132,307	111,239
Deposits and prepayments	2,152,476	1,365,499	1,798,259	417,160	275,974	253,626	38,742	50,228	4,265,451	2,086,513
Other current assets	4,599,333	3,748,628	1,277,103	1,189,341	21,112,842	20,107,712	83,814	82,709	27,073,092	25,128,390
Cash and short-term deposits	8,379,957	6,022,924	3,625,321	3,703,481	3,770,100	5,224,148	440,137	392,993	16,215,515	15,343,546
Segment current assets	25,282,443	21,446,716	13,846,425	21,841,170	41,516,947	35,818,395	2,437,090	1,903,193	83,082,905	81,009,474
Eliminations / adjustments	-	-	-	-	-	-	-	-	(8,878,819)	(13,345,264)
Total current assets	25,282,443	21,446,716	13,846,425	21,841,170	41,516,947	35,818,395	2,437,090	1,903,193	74,204,086	67,664,210
Assets classified as held for sale	-	-	-	-	-	-	-	-	169,423	1,751,094
Total assets	116,923,599	106,956,537	30,314,506	36,350,522	68,399,277	59,633,495	5,779,600	4,787,339	214,337,690	197,345,539
Total segment assets	116,903,639	106,554,203	23,241,765	29,977,117	66,287,331	57,880,216	5,746,154	4,752,256	212,178,889	199,163,792
Additions to non-current assets	2,059,082	772,476	589,675	280,024	309,113	390,956	19,015	12,517	2,976,885	1,455,973

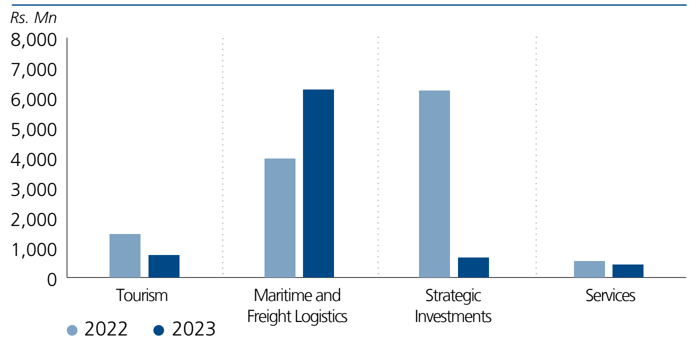
6.1.2.2 Segment liabilities

As at	Tourism sector		Maritime and freight logistics sector		Strategic investments		Services sector		Total	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Non-current Liabilities										
Interest-bearing loans and borrowings	36,588,536	38,596,278	-	-	10,311,122	10,578,486	49,200	100,000	46,948,858	49,274,764
Lease liabilities	13,578,669	13,525,442	1,846,244	2,068,488	287,032	241,264	1,680	-	15,713,625	15,835,194
Deferred tax liabilities	2,984,397	1,445,968	1,386,260	711,770	352,382	528,981	691,970	489,423	5,415,009	3,176,142
Employee benefits	560,886	475,072	391,524	337,979	295,906	243,848	58,042	45,409	1,306,358	1,102,308
Other liabilities	-	-	418,493	481,452	-	-	-	-	418,493	481,452
Segment non-current liabilities	53,712,488	54,042,760	4,042,521	3,599,689	11,246,442	11,592,579	800,892	634,832	69,802,343	69,869,860
Eliminations / adjustments	-	-	-	-	-	-	-	-	166,230	-
Total non-current liabilities	53,712,488	54,042,760	4,042,521	3,599,689	11,246,442	11,592,579	800,892	634,832	69,968,573	69,869,860
Current liabilities										
Interest-bearing loans and borrowings	6,114,421	5,356,106	-	-	3,453,799	3,270,308	50,400	50,792	9,618,620	8,677,206
Lease liabilities	1,453,716	1,203,799	365,254	349,248	12,077	10,635	-	6,528	1,831,047	1,570,210
Trade and other payables	15,567,916	13,143,752	5,499,034	15,030,294	9,226,033	13,591,511	1,354,482	1,087,109	31,647,465	42,852,666
Current tax payable	399,665	59,155	557,071	494,080	144,630	31,720	42,169	73,224	1,143,535	658,179
Bank overdrafts and other short-term borrowings	8,144,146	5,272,941	111,985	265,439	14,232,946	4,051,700	302,175	26,923	22,791,252	9,617,003
Segment current liabilities	31,679,864	25,035,753	6,533,344	16,139,061	27,069,485	20,955,874	1,749,226	1,244,576	67,031,919	63,375,264
Eliminations / adjustments	-	-	-	-	-	-	-	-	(8,878,819)	(13,345,264)
Total current liabilities	31,679,864	25,035,753	6,533,344	16,139,061	27,069,485	20,955,874	1,749,226	1,244,576	58,153,100	50,030,000
Total liabilities	85,392,352	79,078,513	10,575,865	19,738,750	38,315,927	32,548,453	2,550,118	1,879,408	128,121,673	119,899,860
Total segment liabilities	85,392,352	79,078,513	10,575,865	19,738,750	38,315,927	32,548,453	2,550,118	1,879,408	136,834,262	133,245,124

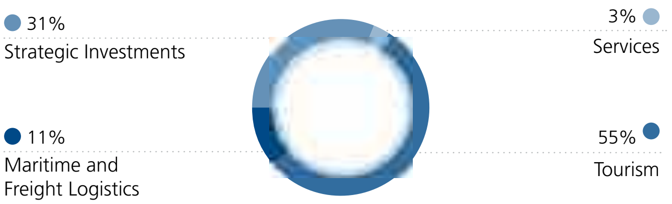
Business segment analysis - Revenue from external customers



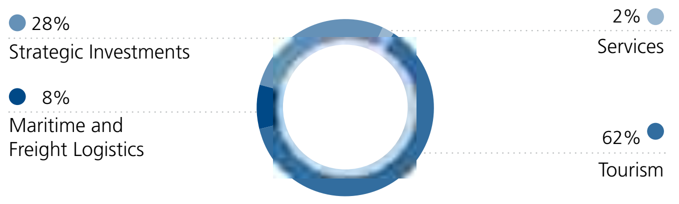
Business segment analysis - Profit/ (loss) for the year



Business segment analysis - Segment assets



Business segment analysis - Segment liabilities



6.2 Geographical information

The geographical information is stated based on the country where the sale occurred, the service rendered and / or the location where assets and liabilities are held.

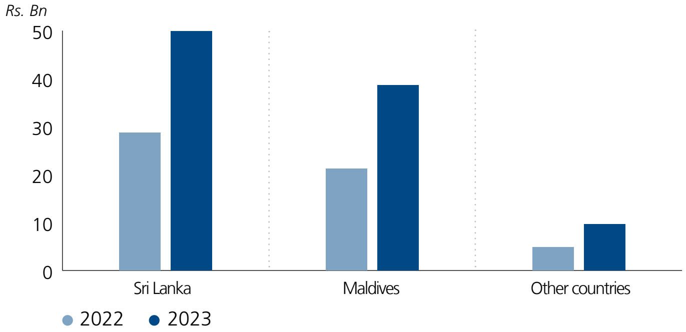
6.2.1 Geographical analysis of group revenue and profit

For the year ended 31st March	Sri Lanka		Maldives		Other countries		Total	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue	49,869,367	28,672,013	38,590,691	21,236,832	9,644,265	4,787,206	98,104,323	54,696,051
Profit from operations	7,718,997	9,556,678	7,915,043	5,127,716	3,349,799	1,702,878	18,983,839	16,387,272
Profit before tax	3,973,317	9,202,665	4,348,344	3,569,395	2,879,785	1,452,120	11,201,446	14,224,180
Profit for the year	1,941,003	8,290,209	3,742,680	2,954,230	2,392,686	911,378	8,076,369	12,155,817
Depreciation and amortisation	1,866,219	1,767,922	4,254,742	2,453,407	1,054,226	630,875	7,175,187	4,852,204
Impairment losses / (reversals) and write offs	495,503	(109,058)	(81,171)	32,435	321	(227)	414,653	(76,850)
Other non-cash expenses	209,925	147,516	1,859	1,126	30,601	18,183	242,385	166,825

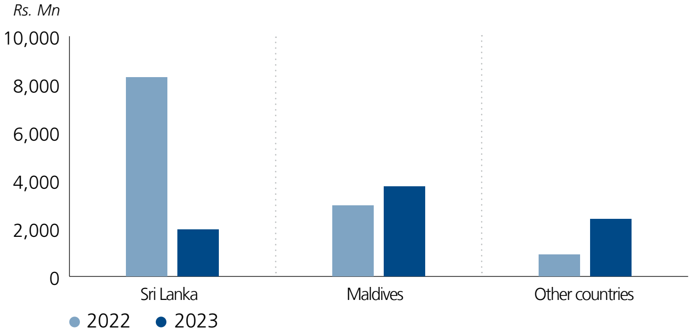
6.2.2 Geographical analysis of group assets and liabilities

As at	Sri Lanka		Maldives		Other countries		Total	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Segment non-current assets	51,164,959	45,736,266	54,656,874	51,585,915	23,274,151	20,832,137	129,095,984	118,154,318
Segment current assets	58,240,895	53,749,639	13,087,010	10,722,567	4,169,863	4,140,933	75,497,768	68,613,139
	109,405,854	99,485,905	67,743,884	62,308,482	27,444,014	24,973,070	204,593,752	186,767,457
Investments in equity-accounted investees	-	-	-	-	-	-	9,238,093	8,564,101
Goodwill on consolidation	-	-	-	-	-	-	1,630,104	1,211,816
Assets classified as held for sale	-	-	-	-	-	-	169,423	1,751,094
Eliminations / adjustments	-	-	-	-	-	-	(1,293,682)	(948,929)
Total assets	109,405,854	99,485,905	67,743,884	62,308,482	27,444,014	24,973,070	214,337,690	197,345,539
Segment non-current liabilities	28,576,678	26,605,768	34,992,915	37,936,796	6,232,750	5,327,296	69,802,343	69,869,860
Segment current liabilities	37,269,334	31,386,870	16,940,158	13,581,874	4,992,974	5,723,975	59,202,466	50,692,719
	65,846,012	57,992,638	51,933,073	51,518,670	11,225,724	11,051,271	129,004,809	120,562,579
Eliminations / adjustments	-	-	-	-	-	-	(883,136)	(662,719)
Total liabilities	65,846,012	57,992,638	51,933,073	51,518,670	11,225,724	11,051,271	128,121,673	119,899,860
Additions to non-current assets	991,949	728,695	1,445,330	497,663	539,606	229,615	2,976,885	1,455,973

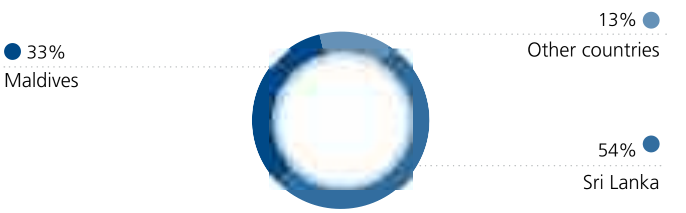
Geographical analysis - Revenue from external customers



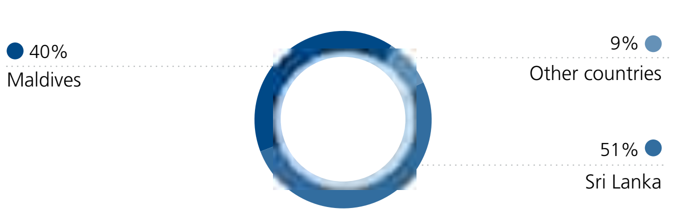
Geographical analysis - Profit / (loss) for the year



Geographical analysis - Segment assets



Geographical analysis - Segment liabilities



6.3 Geographical analysis of segmental information

6.3.1 Geographical analysis of group revenue and profit in reported segments

For the year ended 31st March	Revenue		Profit /(loss) from operations		Profit /(loss) before tax		Profit /(loss) for the year	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Tourism sector								
- Local	15,258,112	7,633,579	(200,879)	(214,504)	(1,029,619)	(497,961)	(2,120,862)	(848,279)
- Overseas	40,571,103	21,876,924	8,075,788	4,979,641	3,356,137	2,949,541	2,856,234	2,284,124
Maritime and freight logistics sector								
- Local	15,205,977	10,532,046	2,910,093	2,481,994	3,963,222	2,829,646	2,992,208	2,340,089
- Overseas	7,461,708	4,046,100	3,170,365	1,838,522	3,854,390	2,102,906	3,262,632	1,614,302
Strategic investments								
- Local	17,555,906	8,423,071	4,453,309	6,588,673	543,489	6,174,965	656,782	6,269,828
- Overseas	-	-	-	-	-	(42,889)	-	(42,889)
Services sector								
- Local	1,849,372	2,083,317	556,474	700,515	496,225	696,015	412,875	528,571
- Overseas	202,145	101,014	18,689	12,431	17,602	11,957	16,500	10,071
	98,104,323	54,696,051	18,983,839	16,387,272	11,201,446	14,224,180	8,076,369	12,155,817

6.3.2 Geographical analysis of group assets and liabilities segment wise

As at	Non-current assets 31.03.2023 Rs.'000	Non-current assets 31.03.2022 Rs.'000	Current assets 31.03.2023 Rs.'000	Current assets 31.03.2022 Rs.'000	Total assets 31.03.2023 Rs.'000	Total assets 31.03.2022 Rs.'000
Tourism sector						
- Local	16,669,502	15,824,231	10,823,949	7,937,218	27,493,451	23,761,449
- Overseas	74,951,694	69,283,256	12,604,375	10,610,754	87,556,069	79,894,010
Maritime and freight logistics sector						
- Local	6,422,362	5,007,912	6,682,681	10,552,137	13,105,043	15,560,049
- Overseas	2,972,978	3,128,035	3,962,880	3,893,862	6,935,858	7,021,897
Strategic investments						
- Local	24,770,384	22,061,821	38,120,607	32,981,035	62,890,991	55,042,856
- Overseas	-	-	-	-	-	-
Services sector						
- Local	3,302,711	2,842,302	1,882,176	1,551,651	5,184,887	4,393,953
- Overseas	6,353	6,761	127,418	137,553	133,771	144,314
	129,095,984	118,154,318	74,204,086	67,664,210	203,300,070	185,818,528
Investments in equity-accounted investees	-	-	-	-	9,238,093	8,564,101
Goodwill on consolidation	-	-	-	-	1,630,104	1,211,816
Assets classified as held for sale	-	-	-	-	169,423	1,751,094
Total assets	129,095,984	118,154,318	74,204,086	67,664,210	214,337,690	197,345,539

As at	Non-current liabilities 31.03.2023 Rs.'000	Non-current liabilities 31.03.2022 Rs.'000	Current liabilities 31.03.2023 Rs.'000	Current liabilities 31.03.2022 Rs.'000	Total liabilities 31.03.2023 Rs.'000	Total liabilities 31.03.2022 Rs.'000
Tourism sector						
- Local	14,804,971	13,339,787	10,796,516	6,875,199	25,601,487	20,214,986
- Overseas	38,907,517	40,702,973	19,061,634	16,490,320	57,969,151	57,193,293
Maritime and freight logistics sector						
- Local	1,724,373	1,038,570	4,406,473	13,531,605	6,130,846	14,570,175
- Overseas	2,318,148	2,561,119	1,871,910	2,161,977	4,190,058	4,723,096
Strategic investments						
- Local	11,246,442	11,592,579	20,900,565	9,982,803	32,147,007	21,575,382
- Overseas	-	-	-	-	-	-
Services sector						
- Local	800,892	634,832	1,066,390	955,411	1,867,282	1,590,243
- Overseas	-	-	49,612	32,685	49,612	32,685
	69,802,343	69,869,860	58,153,100	50,030,000	127,955,443	119,899,860
Eliminations / adjustments	166,230	-	-	-	166,230	-
Total liabilities	69,968,573	69,869,860	58,153,100	50,030,000	128,121,673	119,899,860

7 Revenue

ACCOUNTING POLICY

Revenue from contracts with customers

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a good or service to a customer, to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Group Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales.

Sale of goods

Revenue from the sale of goods is recognised on accrual basis at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties and free maintenance). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period irrespective of whether the service is billed.

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The Group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and records the revenue at the net amount that it retains for its agency services.

Royalty Income

Royalty income is recognised on an accrual basis in accordance with the substance of the agreement.

Other Revenue

Rental income

Rental income arising from renting of property, plant and equipment and investment properties is recognised as revenue on a straight-line basis over the term of the hire.

Contract Balances

Contract Assets

Contract Assets represent group's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time (for example, the entity's future performance).

Contract Liabilities

Contract Liabilities represent group's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer (or the amount is due).

7.1 Revenue analysis based on revenue streams

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue from contracts with customers				
Rendering of services	87,369,307	49,721,614	970,329	642,234
Sale of goods	10,343,610	4,520,941	-	-
Royalty income	-	-	122,668	62,742
	97,712,917	54,242,555	1,092,997	704,976
Other revenue				
Other revenue	391,406	453,496	49,284	48,885
	391,406	453,496	49,284	48,885
	98,104,323	54,696,051	1,142,281	753,861

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7.2 Disaggregation of revenue from contracts with customers

7.2.1 Business segment analysis of Group revenue

For the year ended 31st March	2023			2022		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Tourism sector	55,825,237	3,978	55,829,215	29,508,918	1,585	29,510,503
Maritime and freight logistics sector	22,667,685	-	22,667,685	14,578,146	-	14,578,146
Strategic investments	7,216,274	10,339,632	17,555,906	3,903,715	4,519,356	8,423,071
Services sector	2,051,517	-	2,051,517	2,184,331	-	2,184,331
	87,760,713	10,343,610	98,104,323	50,175,110	4,520,941	54,696,051

7.2.2 Geographical segment analysis of Group revenue

For the year ended 31st March	2023			2022		
	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000	Rendering of services Rs.'000	Sale of goods Rs.'000	Total revenue Rs.'000
Sri Lanka	39,525,757	10,343,610	49,869,367	24,151,072	4,520,941	28,672,013
Maldives	38,590,691	-	38,590,691	21,236,832	-	21,236,832
Other countries	9,644,265	-	9,644,265	4,787,206	-	4,787,206
	87,760,713	10,343,610	98,104,323	50,175,110	4,520,941	54,696,051

7.3 Contract balances

As at	Notes	GROUP		COMPANY	
		31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Trade receivables	25	17,601,591	14,112,665	1,447	2,693
Contract assets	25	536,367	576,937	-	-
Contract liabilities	35	(3,550,645)	(3,073,534)	-	-

7.3.1 Carrying value of contract liabilities

For the year	GROUP	
	2022/2023 Rs.'000	2021/2022 Rs.'000
Balance as at 01st April	3,073,534	1,825,443
Advances received from customers during the period	28,611,774	17,739,873
Recognised as revenue during the year		
- From contract liabilities at the beginning of the period	(3,048,519)	(1,453,260)
- From performance obligations satisfied during the period	(25,307,335)	(15,761,194)
Exchange difference	221,191	722,672
Balance as at 31st March	3,550,645	3,073,534

7.4 Performance obligations

Information about the Group's performance obligations are summarised below ;

Type of product / service	Nature and timing of satisfaction of the performance obligation	Revenue recognition
Rendering of services		
Tourism sector		
» Hotel operations	The main revenue of the Group's hotel operations is the provision of rooms for guest accommodation (apartment revenue). Apartment revenue is recognised on rooms occupied on a daily basis over the period of the stay, while the revenue from other sources such as food and beverage sales, provision of laundry, telephone, water sports, spa services and transfer and excursion services in the Maldives are accounted for at the time of consumption/ the service. Invoices to customers are raised on completion of the hotel stay.	Revenue recognition for the Group's apartment revenue is over the period and other hotel operations is at a point in time.
» Hotel management services	Consists of fees for providing management and marketing services to hotels. Fees for Hotel management services are calculated as a percentage of revenue and operating profit of the hotels.	Revenue for hotel management services is recognised at each month end.
» Inbound and outbound travels	The main activity of the Group companies in the inbound and outbound travel segment is selling of tour packages and other destination management services. Customers are invoiced for the services at the commencement of the tour and the revenue is recognised at that point in time.	Revenue from sale of tour packages is recognised on the start date of the tour.
» Airline General Sales Agent (GSA)	Overriding commission from the Airlines is recognised on flown basis whereas the ticketing commission from the airline is recorded on the date of the sale.	Revenue recognition at a point in time.
Maritime and freight logistics sector		
» Maritime and port services	Operations of the Group's maritime segment includes provision of services of a shipping agent, supply of marine lubricants, representation of liner shipping agencies and global container services as an agent of the principal shipping line. Revenue for the segment represents the commission derived from the services rendered to the shipping lines.	Commission income is recognised upon the departure of the vessel.
	Revenue from port operation and management services performed by the Group is recognised on completion of the operation.	Revenue is recognised at a point in time on completion of the port services.
» Freight forwarding and courier	Revenue from freight forwarding and courier operations of the Group is recorded when the cargo is loaded to the vessel.	Revenue recognition for the freight forwarding and courier operation is at a point in time.
» Integrated logistics	Revenue from the Group's container freight station (CFS) operations and the depot operations is recognised upon dispatch of the container from the yard, income from transport and other special operations are recognised upon completion of the activity while the revenue from warehouse and renting of reefer containers are recognised on a monthly basis over the period of the hire.	At a point in time for CFS, depot, transport and other special operations and over time for warehouse and renting of reefer containers.
» Airline GSA (Cargo)	Commission income from airline GSA is recognised when cargo is handed over to the airline.	Revenue recognition at a point in time.

Type of product / service	Nature and timing of satisfaction of the performance obligation	Revenue recognition
Strategic investments		
» Power generation	Revenue from thermal power generation is recognised based on the actual amount of electricity generated and supplied to the national grid as a variable component and a fixed component referred to as capacity charge calculated based on the minimum guaranteed energy amount as specified in the power purchase agreement (PPA), while the revenue from renewable power, namely wind, hydro and waste, is recorded based on a fixed or variable tariff in terms of the respective PPAs. Invoices for the generation of power are raised on a monthly basis.	Revenue is recognised on the last day of the month based on the power generated during the month.
Services sector		
» Inward money transfer	The inward money transfer segment of the Group acts as a representative of the Western Union Network (France) SAS. Representative base compensation is recognised by the Company upon the completion of the inward money transfer.	Revenue is recorded at a point in time when inward money transfer is completed.
» Elevator agency	Revenue on equipment sales of elevators is recognised in the income statement by reference to the date of delivery of the equipment to the site. Revenue on installation of elevators is recognised by reference to the stage of completion at the reporting date. Stage of completion is measured by reference to the percentage of work done to date. Revenue for free maintenance inbuilt in the contract is deferred until installation is completed and there after recognised monthly once the maintenance period commences. Revenue for stand alone maintenance agreements are recognised in the income statement on a monthly basis while the revenue for repairs of elevators is recognised upon completion of the repair. However invoices to customers for all above revenue types are raised as per the contract terms.	Revenue on equipment sales of elevators is recognised when the equipment is delivered to the site. Revenue on installation of elevators and maintenance contracts is recognised over time as the services are provided while the revenue for repairs is recognised at a point in time. The stage of completion for determining the amount of revenue to recognise is assessed based on estimate of work completed.
» Insurance	Commission income on the sale of insurance policies is recognised upon collection of the insurance premium while revenue from survey and other insurance services is recognised upon completion of the professional service.	Revenue recognised for commission income and fees for professional services is at a point in time.
» Property management (Renting of property)	Income for the property management companies is derived from renting of properties owned by them. Invoices for renting of property are issued on a monthly basis over the period of the rental agreement.	Revenue is recognised over time during the period of the rent agreements.
Sale of goods		
Tourism sector		
» Water bottling operation for use in the hotel sector	Customers obtain control of bottled water upon sale of the item. Invoices are generated and revenue is recognised at a point in time when the bottles are dispatched from the Group's warehouse.	Revenue is recognised when the water bottles are dispatched from the Group's warehouse.
Strategic investments		
» Printing and packaging (supply of value added printing and packaging products and services)	Customers obtain control of goods when the goods are delivered to them. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods. Invoices are generated and revenue is recognised at a point in time when the goods are delivered.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

Type of product / service	Nature and timing of satisfaction of the performance obligation	Revenue recognition
» Manufacturing of apparels	Customers obtain control of goods when the garments are handed over to the nominated freight forwarding company who is an agent of the customer. Invoices are generated and revenue is recognised at that point in time.	The Group recognises revenue when the manufactured garments are handed over to the nominated freight forwarding company.

Payment terms - The Group provides credit to its customers based on normal industry terms which is generally 30 days or as specified in individual contracts with the customers. In certain instances advance payments are obtained from customers prior to commencement of the performance obligation.

8 Other operating income

ACCOUNTING POLICY

Dividend income

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established, which is generally when the dividend is declared.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Net foreign exchange gain /(loss)

Foreign currency differences arising on re-translation of foreign currency monetary items other than the differences arising on the re-translation of FVOCI equity investments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges are recognised in the income statement on a net basis.

Gain on bargain purchase

Refer note 4.1.1

Other income

Other income are recognised on an accrual basis.

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Dividends from Group subsidiaries and equity-accounted investees	-	-	3,864,717	3,061,663
Dividends from equity securities – at FVTPL	6,279	6,393	2,543	86
Net foreign exchange gain / (loss)	1,870,100	7,148,600	1,678,459	4,863,806
Gain / (loss) on disposal of property, plant and equipment	(10,709)	15,298	30	749
Net gain on termination of lease	10,511	-	-	-
Loss on retirement of assets held for sale (refer note 28)	(72,269)	-	-	-
Gain from bargain purchase	-	145,613	-	-
Insurance claims received	186,826	8,625	-	-
Sundry income	31,394	55,302	2,688	35
	2,022,132	7,379,831	5,548,437	7,926,339

9 Profit from operations

Profit from operations is stated after charging the following:

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cost of inventories and services	59,517,986	34,493,381	909,382	641,179
Directors' remuneration and fees	690,969	548,119	317,550	201,495
Auditors' remuneration				
- KPMG	30,161	24,768	1,880	1,669
- Other auditors	14,530	13,385	-	-
Fees paid to auditors for non-audit services				
- KPMG	11,149	11,294	3,509	2,057
- Other auditors	14,972	9,907	-	-
Depreciation, amortisation and impairment losses of non-financial assets				
- Depreciation of property, plant and equipment, investment property, right-of-use assets and biological assets	7,119,946	4,808,362	31,833	31,604
- Amortisation of intangible assets	55,241	43,842	18,103	11,386
- Impairment of property, plant and equipment	-	-	-	-
- Impairment of intangible assets	-	-	-	-
- Impairment of inventories	6,973	(662)	24	424
- Impairment losses of investments in subsidiaries and equity-accounted investees	-	30,570	18,004	175,400
Total of depreciation, amortisation and impairment losses of non-financial assets	7,182,160	4,882,112	67,964	218,814
Impairment losses / (reversals) and write offs of trade & other receivables	407,680	(106,758)	292,317	240,904
Legal Expenses	26,523	14,300	14,933	568
Defined contribution plan cost - Sri Lanka	554,886	461,924	61,564	52,387
Defined contribution plan cost - Overseas (Maldives, South India, Fiji and Oman)	188,038	91,241	-	-
Defined benefit plan cost - Retirement benefits	242,385	166,825	23,394	23,231

10 Other operating expenses-direct

Direct operating expenses as disclosed in the income statement refers to the cost of services other than staff costs which are directly related to revenue.

Since most of the companies in the Group operate in service industries, other direct operating expenses represents a substantial portion of the total operating costs.

11 Finance income and finance expenses

ACCOUNTING POLICY

Finance income

Finance income comprises of interest income on funds invested, net changes in fair value of financial assets classified as fair value through profit or loss, and gains on the disposal of interest generating investments whether classified under FVTPL or FVOCI financial assets.

Interest income is recognised as it accrues in the income statement. For all financial instruments measured at amortised cost and interest bearing financial assets classified as FVOCI the interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. For interest bearing financial assets carried at fair value, interest is recognised on a discounted cash flow method. Interest income is included under finance income in the income statement.

Finance expenses

Finance expenses comprise interest expense on borrowings and leases, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the asset. Borrowing costs capitalised are disclosed in notes 15 and 18 to the financial statements.

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Finance income				
Interest income on financial assets measured at amortised cost	2,883,309	1,158,480	3,104,392	1,143,193
Net change in fair value of equity securities classified as FVTPL	1,048	2,451	1,048	-
	2,884,357	1,160,931	3,105,440	1,143,193
Finance expenses				
Interest expense on financial liabilities measured at amortised cost	(11,391,055)	(3,839,950)	(4,181,930)	(1,092,000)
Net impairment of financial assets measured at amortised cost	1,418	11,193	(1,832)	12,280
Net change in fair value of equity securities classified as FVTPL	(3,469)	(7,184)	-	(7,184)
Other finance charges	(343,781)	(170,313)	(3,990)	(3,606)
	(11,736,887)	(4,006,254)	(4,187,752)	(1,090,510)
Net finance income / (expenses)	(8,852,530)	(2,845,323)	(1,082,312)	52,683

12 Income tax expense

ACCOUNTING POLICY

Income tax expense comprises of current and deferred taxes. The income tax expense is recognised in the income statement except to the extent that it relates to the items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

IFRIC 23 "Uncertainty over income tax treatments" provides guidance on determining taxable profits, tax bases, unused tax losses, unused tax credits and tax rates, when there is an uncertainty over the income tax treatment. However, the application of IFRIC 23 did not have an impact on the income tax expense for the year.

The Group established that any interest and penalties related to income taxes, including uncertain tax treatments do not meet the definition of income taxes and therefore accounted for them as per LKAS 37 - Provisions, contingent liabilities and contingent assets.

Current tax

The current tax represents the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted, any taxes on dividends received and any adjustment to tax payable in respect of previous years, including any brought forward Economic Service Charge that is not offset within the specified period.

Taxation for the current and previous periods to the extent unpaid is recognised as a liability in the financial statements. When the amount of taxation already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset in the financial statements.

Companies incorporated in Sri Lanka

Provision for current tax for companies incorporated in Sri Lanka has been computed where applicable in accordance with the Inland Revenue Act No. 24 of 2017 and its amendments there to.

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 in the country of incorporation.

Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted or announced by the reporting date.

Temporary differences in relation to right-of-use asset and lease liabilities are treated on a net basis for the purpose of recognising deferred taxes.

A deferred tax asset is recognised for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities recognised by individual companies within the Group are disclosed separately as assets and liabilities in the Group statement of financial position and are not offset against each other.

Transfer Pricing

As prescribed in the Inland Revenue Act No. 24 of 2017 and its amendments thereto and the Gazette notifications issued on transfer pricing, companies in the Group have complied with the arm’s length principles relating to transfer pricing.

12.1 Sri Lankan Operations

The income tax provision for Aitken Spence PLC, its subsidiaries and equity accounted investees which are resident in Sri Lanka is calculated in accordance with the Inland Revenue Act No. 24 of 2017 and its amendments thereto and the circular issued by the Department of Inland Revenue on 09th May 2023 (No. SEC/2023/E/03) on the subject “Calculation of Income Tax Payable for the Year of Assessment commencing on April 1, 2022”.

As specified in the Inland Revenue (Amendment) Act No. 45 of 2022, certified on 19th December 2022 and the aforementioned circular, the income tax payable for the year of assessment 2022/23 is calculated separately for two periods: the first 6 months ("First Period") from 01st April 2022 to 30th September 2022 and the second 6 months ("Second Period") from 01st October 2022 to 31st March 2023. The separation of business income included under taxable income into two periods can be done either on a pro-rata basis or actual basis.

With the exception of companies that benefit from income tax exemptions or are subject to concessionary rates as described below, the income tax provisions for companies have been computed based on their adjusted tax profits at the standard rate of 24% until 30th September 2022 and 30% thereafter.

» Companies with specified sources exempt from income tax are given in note 12.1.1
» Companies with specified sources liable to income tax at concessionary rates are given in note 12.1.2
» Companies incorporated in Sri Lanka and operating outside Sri Lanka are given in note 12.1.3

Section 84A (1A) of the Inland Revenue (Amendment) Act No. 45 of 2022 introduced Advance Income Tax (AIT) on dividend distributions made by resident companies of the Group from their taxable profits, starting from 01st January 2023. The income tax expense for the year includes the deduction of AIT at a rate of 15% on dividend distributions made by subsidiaries. Dividends received from 01st April 2022 to 31st December 2022 from taxable profits of companies subject to tax adjustments are subject to income tax rates of 14% and 15% for the periods from 01st April 2022 to 30th September 2022 and from 01st October 2022 to 31st December 2022 respectively.

Companies in Sri Lanka calculate their deferred tax expense based on the tax rates specified in the Inland Revenue Act No. 24 of 2017 and its subsequent amendments. However, the Inland Revenue (Amendment) Act No. 45 of 2022 introduced changes to the previously granted concessionary income tax rates and increased the standard income tax rate. These changes came into effect on 01st October 2022 and resulted in an increase in the standard tax rate from 24% to 30%. As per LKAS 12 - "Income Taxes," any resulting deferred tax due to these rate changes shall be recognised in the Statement of Profit or Loss. Consequently, the companies in the Group have reported a significant deferred tax expense for the year as a result of these tax rate adjustments.

According to note 12.4.1, the primary impact of the tax rate change is related to the revaluation of deferred tax assets/liabilities at the beginning of the year. Previously, these assets/liabilities were accounted for at concessionary tax rates or the standard rate of 24%, totalling Rs. 1,230.9 million. Additionally, there is a reversal of Rs. 446.6 million attributed to the impact of rate changes on temporary differences throughout the year.

The deferred tax expense associated with the revaluation of non-depreciable assets, such as land, takes into account the tax implications that would arise upon the sale of those assets. Furthermore, the Group recognises deferred tax expense for the taxes that are applicable to the undistributed profits of its subsidiary companies.

Tax losses carried forward

As per section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto, any unclaimed tax losses incurred during the year from business or investment could be carried forward for further six years. Companies in the Group have evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised accordingly. Deferred tax assets recognised on tax losses would be reviewed at each reporting date based on the taxable profit forecasts and would be reduced to the extent of recoverable amount.

IFRIC 23 “Uncertainty over income tax treatments” provides guidance on determining taxable profits, tax bases, unused tax losses, unused tax credits and tax rates, when there is an uncertainty over the income tax treatment. The Group has applied significant judgement in identifying uncertainties over income tax treatments for the year and the Group has determined that there were no uncertainties in tax treatments that has an impact on the income tax expense or warrants any disclosure.

12.1.1 Companies with specified sources exempt from income tax

Company	Basis	Statute Reference	Period
Ahungalla Resorts Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/2030
Negombo Beach Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2029/2030
Sagasolar Power (Pvt) Ltd	Construction and operation of a solar power plant	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	12 years ending 2027/2028
Turyaa Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	10 years ending 2026/2027
Upper Waltrim Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	Section 17A of the Inland Revenue (Amendment) Act No. 08 of 2012	7 years ending 2023/2024

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In addition, the Inland Revenue Act No. 24 of 2017 and its amendments thereto specifies the following income tax exemptions, which are available to companies operating in the Group.

Company	Basis	Period
Aitken Spence Elevators (Private) Limited Aitken Spence Global Operations (Pvt) Ltd Aitken Spence Hotel Managements (Pvt) Ltd Aitken Spence Hotel Managements Asia (Pvt) Ltd Aitken Spence Hotels International (Pvt) Ltd Aitken Spence International Consulting (Pvt) Limited Aitken Spence PLC Aitken Spence Ports International Ltd Aitken Spence Travels (Pvt) Ltd Royal Spence Aviation (Pvt) Ltd	Gains and profits from any service rendered in or outside Sri Lanka to any person to be utilised outside Sri Lanka, where the payment for such services is received in foreign currency and remitted to Sri Lanka through a bank Gains and profits from any foreign source (other than above) derived in foreign currency and remitted to Sri Lanka through a bank	Open ended
Aitken Spence Agriculture (Pvt) Ltd Elpitiya Plantations PLC	Gains and profits from sale of produce from agro farming	5 years ending 2023/2024
All companies incorporated in Sri Lanka	Interest or discount earned by any person on any sovereign bond denominated in foreign currency, including Sri Lanka Development Bonds, issued by or on behalf of the Government of Sri Lanka. Interest derived in foreign currency on any foreign currency account opened in any commercial bank or in any specialised bank, with the approval of the Central Bank of Sri Lanka. Dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident company or another resident company.	Open ended

12.1.2 Companies with specified sources liable to income tax at concessionary rates

12.1.2.1 Companies liable to income tax at concessionary rates under the BOI Law

Company	Basis	Income Tax Rate*
Ace Power Embilipitiya (Pvt) Ltd	Construction and operation of a thermal power generation plant	15%
Aitken Spence Apparels (Pvt) Ltd	Set up and operate a project to manufacture garments and exports	15%
Logilink (Pvt) Ltd	Operation of a warehousing facility	15%
Ace Wind Power (Pvt) Ltd	Construction and operation of a wind power plant	20%
Aitken Spence Property Developments (Pvt) Ltd	Construction and operation of a luxury office building complex	20%
Branford Hydropower (Pvt) Ltd	Construction and operation of a hydro power plant	20%

* Concessionary income tax rates referred to above are granted after the initial tax exemption period, in terms of Section 17 of BOI Law No. 4 of 1978.

12.1.2.2 Companies with specified sources liable to income tax at concessionary rates

Company	Basis/Statute Reference	Rate Up to 30.09.2022	Rate From 01.10.2022
Aitken Spence Engineering Solution (Pvt) Ltd Aitken Spence (Garments) Ltd	Gains and profits from conducting a business of exporting goods or merchandise	14%	30%
Ace Exports (Pvt) Ltd Ace Apparels (Pvt) Ltd	Specified undertaking supplying of services to an exporter or manufacture & supply to an exporter of non-traditional goods	14%	30%
Aitken Spence Hotel Holdings PLC Aitken Spence Hotels Ltd Aitken Spence Travels (Pvt) Ltd Hethersett Hotels Ltd Kandalama Hotels (Pvt) Ltd Paradise Resorts Pasikudah (Pvt) Ltd Turyaa (Pvt) Ltd	Gains and profits from an undertaking for the promotion of tourism	14%	30%
Ace Cargo (Pvt) Ltd Aitken Spence Cargo (Pvt) Ltd Aitken Spence Shipping Ltd Aitken Spence Shipping Services Ltd Clark Spence & Company (Pvt) Ltd D B S Logistics Ltd Hapag-Lloyd Lanka (Pvt) Ltd Shipping & Cargo Logistics (Pvt) Ltd	Specified undertaking providing freight forwarding, transshipment operations or provision of service to a foreign ship operator	14%	30%
Ace Container Repair (Pvt) Ltd	Specified undertaking providing any service of ship repair, ship breaking repair and refurbishment of marine cargo containers	14%	30%
Aitken Spence Power Ltd Elgin Hydropower (Pvt) Ltd Waltrim Hydropower (Pvt) Ltd	Gains and profits from the supply of electricity using renewable energy resources	14%	30%
CINEC Campus (Pvt) Ltd Mercantile Seaman Training Institute Ltd	Gains and profits from educational services	14%	30%
Elpitiya Plantations PLC	Gains and profits from agro processing Gains and profits from the supply of electricity using renewable energy resources	14%	30%
Spence Seahorse Marine (Pvt) Ltd	Specified undertaking providing bunkering services for the supply of marine fuel	14%	30%
Aitken Spence Printing & Packaging (Pvt) Ltd Aitken Spence Exports (Pvt) Ltd	Gains and profits from Manufacturing	18%	30%

12.1.3 Companies incorporated in Sri Lanka and operating outside Sri Lanka

Company	Countries Operated	Tax Status
Aitken Spence Global Operations (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotels International (Pvt) Ltd	Maldives	Income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Hotel Managements Asia (Pvt) Ltd	Maldives, Oman	Business profits arising in Oman is liable to tax at 15% and income derived from Maldives is subject to 10% withholding tax.
Aitken Spence Ports International Ltd	Mozambique, Fiji	Income derived from Mozambique and Fiji are subject to withholding tax at 15% and 20% respectively.

Profits and income referred to above are exempt from income tax in Sri Lanka as per the Inland Revenue Act No. 24 of 2017 and its amendments thereto

NOTES TO THE FINANCIAL STATEMENTS

12.2 Overseas Operations

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to the respective companies. Set out below are the Income tax rates applicable for the companies in the relevant foreign jurisdictions.

Country	Company	Income Tax Rate
British Virgin Islands	Crest Star (B.V.I.) Ltd	Nil
Oman	Aitken Spence Resorts (Middle East) LLC	15%
Maldives	Ace Aviation Services Maldives Pvt Ltd	15%
	Ace Resorts Pvt Ltd	15%
	A.D.S. Resorts Pvt Ltd	15%
	Cowrie Investment Pvt Ltd	15%
	Interlifts International Pvt Ltd	15%
	Jetan Travel Services Company Pvt Ltd	15%
	Spence Maldives Pvt Ltd	15%
	Unique Resorts Pvt Ltd	15%
Fiji	Fiji Ports Terminal Ltd	20%
	Fiji Ports Corporation Ltd	20%
	Fiji Ships Heavy Industries Ltd	20%
	Serendib Investments Ltd	20%
Myanmar	Aitken Spence Travels Myanmar Ltd	25%
	Ace Aviation Myanmar Ltd	25%
India	Aitken Spence Hotel Services Pvt Ltd	25.17%
	PR Holiday Homes Pvt Ltd	25.17%
	Aitken Spence Hotel Managements (South India) Pvt Ltd	25.17%
Bangladesh	Ace Bangladesh Ltd	35%

Dividends paid by companies registered in the Maldives is subject to withholding tax of 10% as per provisions of the Maldives Income Tax Act and the regulations issued thereto.

Dividends remitted to Sri Lanka from the above companies are exempt from income tax under the third schedule to the Inland Revenue Act No. 24 of 2017 and its amendments thereto.

12.3 Surcharge Tax

According to the Surcharge Tax Act No. 14 of 2022, which was certified on 08th April 2022 the Group has a liability for surcharge tax amounting to Rs. 431.8 million for the assessment year 2020/21. This surcharge tax is considered as an expenditure for the year ended 31st March 2021. Since this Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense is treated as an adjustment to the opening retained earnings on 01st April 2022 in the Group's Statement of Changes in Equity. This treatment is in accordance with the "Addendum to the Statement of Alternative Treatment (SoAT) on Accounting for Surcharge Tax" issued by the Institute of Chartered Accountants of Sri Lanka in August 2022. The Group paid Rs. 431.8 million in two installment payments, on 20th April 2022 and 20th July 2022 as specified by the Surcharge Tax Act.

12.4 Tax recognised in income statements

For the year ended 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Current tax expense				
Tax on current year profits (note 12.6)	2,758,258	1,311,073	20,607	10,673
Under / (over) provision in respect of previous years	(23,328)	37,875	(27,337)	12,827
Withholding tax on dividends paid by subsidiaries	53,514	33,594	-	-
	2,788,444	1,382,542	(6,730)	23,500
Deferred tax expense / (income)				
Impact of changes in tax rates (note 12.4.1)	784,308	-	(126,901)	-
Origination / (reversal) of temporary differences	(447,675)	685,821	138,125	(302,228)
Deferred tax expense / (income) (note 12.7)	336,633	685,821	11,224	(302,228)
	3,125,077	2,068,363	4,494	(278,728)
Effective tax rate (including deferred tax)	27.9%	14.5%	0.1%	-
Effective tax rate (excluding deferred tax)	24.9%	9.7%	-	0.3%

Income tax expense excludes, the Group's share of tax expense of the equity-accounted investees recognised in profit/(loss) of Rs. 907.9 million (2021/2022 - Rs. 243.1 million) which is included in 'share of profit of equity-accounted investees (net of tax)'.

12.4.1 Impact of changes in tax rates for the year ended 31st March 2023

	GROUP Rs.'000	COMPANY Rs.'000
Related to deferred tax assets / liabilities at the beginning of the year	1,230,926	(161,432)
Related origination / (reversal) of temporary differences during the year	(446,618)	34,531
	784,308	(126,901)

A detail analysis of the changes applicable to the income tax rates for the resident companies in Sri Lanka for the financial year 2022/2023 is disclosed in note 12.1.

NOTES TO THE FINANCIAL STATEMENTS

12.5 Tax recognised in other comprehensive income

12.5.1 Group

For the year ended 31st March	2023			2022		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss						
Revaluation of freehold land (tax impact of rate change)	3,566,785	(1,877,407)	1,689,378	950,470	-	950,470
Actuarial gains / (losses) on defined benefit obligations	(51,294)	15,175	(36,119)	287,573	(48,782)	238,791
Equity investments at FVOCI – net change in fair value	(1,179)	3,025	1,846	(5,512)	551	(4,961)
Share of other comprehensive income of equity-accounted investees (net of tax)	52,301	-	52,301	18,287	-	18,287
	3,566,613	(1,859,207)	1,707,406	1,250,818	(48,231)	1,202,587
Items that are or may be reclassified to profit or loss						
Exchange differences on translation of foreign operations	2,770,806	-	2,770,806	7,949,214	-	7,949,214
Net movement on cash flow hedges	(417,788)	-	(417,788)	(2,715,462)	-	(2,715,462)
Share of other comprehensive income of equity-accounted investees (net of tax)	168,399	-	168,399	1,057,476	-	1,057,476
	2,521,417	-	2,521,417	6,291,228	-	6,291,228
Other comprehensive income for the year	6,088,030	(1,859,207)	4,228,823	7,542,046	(48,231)	7,493,815

Tax recognised in other comprehensive income excludes, the Group's share of tax expense of the equity-accounted investees recognised in the other comprehensive income of Rs. 107.6 million (2021/2022 - Rs. 3.8 million) which has been included in 'share of other comprehensive income of equity-accounted investees (net of tax)'.

12.5.2 Company

For the year ended 31st March	2023			2022		
	Before tax	Tax (expense) / income	Net of tax	Before tax	Tax (expense) / income	Net of tax
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Items that will not be reclassified to profit or loss						
Actuarial gains / (losses) on defined benefit obligations	(1,943)	584	(1,359)	30,103	(7,224)	22,879
Equity investments at FVOCI – net change in fair value	(2,357)	3,511	1,154	(2,687)	268	(2,419)
Other comprehensive income for the year	(4,300)	4,095	(205)	27,416	(6,956)	20,460

12.6 Reconciliation of the accounting profits and current year tax

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit before tax	11,201,446	14,224,180	3,593,403	7,221,434
Consolidation adjustments	(1,070,137)	(682,231)	-	-
Profit after adjustments	10,131,309	13,541,949	3,593,403	7,221,434
Income not liable for income tax	(2,857,755)	(1,142,484)	(1,934,242)	(810,062)
Effect of revenue subject to tax at source	2,212,936	1,233,150	206,073	106,733
Adjusted profit	9,486,490	13,632,615	1,865,234	6,518,105
Non - taxable receipts / gains	(997)	(86,850)	(2,269,695)	(1,254,566)
Aggregate disallowed expenses	13,803,237	10,997,895	760,079	591,897
Capital allowances	(8,994,409)	(8,730,325)	(38,113)	(33,672)
Aggregate allowable deductions	(5,727,761)	(8,423,706)	(2,771,652)	(5,035,158)
Utilisation of tax losses	(6,404,244)	(6,587,593)	(1,768,005)	(1,917,489)
Current year tax losses not utilised	12,377,730	6,866,944	4,428,225	1,237,616
Taxable income	14,540,046	7,668,980	206,073	106,733
Income tax charged at;				
Standard rate- 30%	947,222	-	-	-
Standard rate- 24%	287,581	342,403	-	-
Concessionary rates	586,333	349,000	-	-
Varying rates on off - shore profits	937,122	619,670	20,607	10,673
Tax on current year profits	2,758,258	1,311,073	20,607	10,673
Under / (over) provision in respect of previous years	(23,328)	37,875	(27,337)	12,827
Withholding tax on dividends paid by subsidiaries	53,514	33,594	-	-
	2,788,444	1,382,542	(6,730)	23,500

12.7 Deferred tax expense/ (income)

	GROUP		COMPANY	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Origination / (reversal) of temporary differences arising from ;				
Accelerated depreciation for tax purposes on property, plant and equipment	1,629,338	604,399	2,374	4,233
Defined benefit obligations	(145,774)	(5,030)	(10,356)	(4,534)
Tax losses carried forward	(711,274)	246,094	(93,259)	37,351
Expected credit losses	(168,401)	14,099	(798)	2,101
Right-of-use assets	(22,170)	(14,006)	-	-
Unrealised exchange gain/(loss)	(411,316)	(159,735)	113,263	(341,379)
Undistributed profits of consolidated entities	166,230	-	-	-
	336,633	685,821	11,224	(302,228)

12.8 Tax losses carried forward

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000	COMPANY 2022/2023 Rs.'000	COMPANY 2021/2022 Rs.'000
Tax losses brought forward	35,609,442	29,614,801	1,210,398	1,820,582
Adjustments to tax loss brought forward and tax losses arising during the year	13,306,319	12,717,765	4,497,007	1,307,305
Utilisation of tax losses	(6,404,244)	(6,587,593)	(1,768,005)	(1,917,489)
Write off of unclaimable tax losses	(197,027)	(135,531)	-	-
	42,314,490	35,609,442	3,939,400	1,210,398

As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of those companies. Deferred tax assets not accounted in respect of these losses amounted to Rs. 7,876.1 million (2021/2022 - Rs. 4,800.4 million) since utilisation against future taxable profits are not probable. For Aitken Spence PLC, deferred tax assets unaccounted on losses as at 31.03.2023 amounted to Rs. 798.1 million (2021/2022 - Rs. Nil).

13 Earnings / (loss) per share

ACCOUNTING POLICY

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The following reflects the income and share data used in the basic earnings per share computations.

For the year ended 31st March	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000
Net profit /(loss) attributable to equity holders of the company (Rs.)	6,644,027,077	10,539,591,603	3,588,909,209	7,500,161,643
Weighted average number of ordinary shares in issue	405,996,045	405,996,045	405,996,045	405,996,045
Earnings /(loss) per share (Rs.)	16.36	25.96	8.84	18.47

There were no potentially dilutive ordinary shares outstanding at any time during the year, hence diluted earnings per share is equal to the basic earnings per share.

14 Dividends per share

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
First and final ordinary dividend of Rs. 4.00 per share* (2021/2022 - Nil)	1,623,984	-
Interim ordinary dividend declared (2021/2022 - Rs. 4.00 per share)	-	1,623,984
	1,623,984	1,623,984

* The Directors have recommended a first and final dividend of Rs. 4.00 per share for the year ended 31st March 2023 to be approved at the Annual General Meeting on 30th June 2023. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company will satisfy the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and will obtain a certificate from the auditors, prior to the payment of the first and final dividend on or before 24th July 2023.

In compliance with Sri Lanka Accounting Standard LKAS 10 - Events after the reporting period, the first and final dividend recommended is not recognised as a liability in the financial statements as at 31st March 2023.

15 Property, plant and equipment

ACCOUNTING POLICY

Recognition and measurement

Items of property, plant and equipment other than land, are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises of 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, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the attributable borrowing costs if the recognition criteria are met. The cost of an item also includes an initial estimate of the cost of dismantling and removing the items and restoring the site on which it is located.

All items of property, plant and equipment are recognised initially at cost.

The Group recognises land owned by it in the statement of financial position at the revalued amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of each reporting period. If the fair values of land does not change other than by an insignificant amount at each reporting period the Group will revalue such land every 5 years.

Any revaluation increase arising on the revaluation of such land is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the income statement, in which case the increase is credited to the income statement to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation of land is recognised in the income statement to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of the same land.

External, independent qualified valuers having appropriate experience in valuing properties in locations of properties being valued, value the land owned by the Group based on market values, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

Significant components of property, plant and equipment

When parts of an item of property, plant and equipment have different useful lives than the underlying asset, they are identified and accounted separately as major components of property, plant and equipment and depreciated separately based on their useful life.

Subsequent cost

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are derecognised from the cost of the asset. The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as and when incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale or on the date that the asset is disposed.

The estimated useful lives are as follows:

Freehold Buildings	20 - 50 years
Plant and Machinery	10 - 20 years
Equipment	04 - 05 years
Power Generation Plants	10 - 20 years or over the period of the power purchase agreement
Motor Vehicles	04 - 10 years
Furniture and Fittings	10 years
Computer Equipment	3-5 years
Crockery, Cutlery and Glassware	3-5 years
Motor Boats	5 years
Soft Furnishing	5-10 years

Power generation plants of some of the Group companies in the renewable energy segment that are not depreciated as above are depreciated on the unit of production basis.

NOTES TO THE FINANCIAL STATEMENTS

The depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The cost of replacement of components of assets recognised in the carrying amount of property, plant and equipment is depreciated over the balance useful life of the asset.

The cost of major planned overhauls capitalised are depreciated over the period until the next planned maintenance.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Derecognition

An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic, benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Disposal of property, plant and equipment

An item of property, plant and equipment and any significant part initially recognised is derecognised by the Group upon disposal (i.e., at the date the recipient obtains control).

15.1 Group

	Freehold Land Rs.'000	Freehold buildings Rs.'000	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Capital work-in-progress Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Cost or revaluation								
Balance as at 01st April								
- Recognised under non-current	18,940,456	68,811,576	37,550,330	4,281,172	5,889,234	287,366	135,760,134	107,806,708
- Recognised under current	-	305,997	1,610,997	46,480	5,484	-	1,968,958	1,862,333
Surplus on revaluation	3,566,785	-	-	-	-	-	3,566,785	950,470
Companies acquired during the year	-	1,883	2,810,761	-	251	-	2,812,895	2,055,120
Exchange difference	847,371	5,975,467	1,638,102	105,077	412,696	33,662	9,012,375	24,006,201
Additions	48,122	196,145	1,563,658	139,764	127,279	890,325	2,965,293	1,374,918
Other transfers	-	203,727	325,609	595	-	(529,931)	-	(2,900)
Disposals / write-offs	-	(8,551)	(380,520)	(2,979)	(5,770)	(1,527)	(399,347)	(323,758)
Balance as at 31st March	23,402,734	75,486,244	45,118,937	4,570,109	6,429,174	679,895	155,687,093	137,729,092
- Recognised under non-current	23,402,734	75,180,247	43,507,152	4,523,629	6,423,667	679,895	153,717,324	135,760,134
- Recognised under current	-	305,997	1,611,785	46,480	5,507	-	1,969,769	1,968,958
Accumulated depreciation								
Balance as at 01st April								
- Recognised under non-current	-	16,667,466	16,624,624	3,197,466	3,460,442	-	39,949,998	27,980,456
- Recognised under current	-	305,997	1,044,321	30,246	5,484	-	1,386,048	1,374,917
Companies acquired during the year	-	455	884,315	-	251	-	885,021	500,418
Exchange difference	-	1,279,926	1,012,250	78,735	176,520	-	2,547,431	8,087,796
Charge for the year	-	2,055,798	2,483,320	182,731	500,419	-	5,222,268	3,678,944
Other transfers	-	-	-	-	-	-	-	(1,136)
Disposals / write-offs	-	(4,246)	(356,646)	(2,829)	(4,482)	-	(368,203)	(285,349)
Balance as at 31st March	-	20,305,396	21,692,184	3,486,349	4,138,634	-	49,622,563	41,336,046
- Recognised under non-current	-	19,999,399	20,634,132	3,451,540	4,133,127	-	48,218,198	39,949,998
- Recognised under current	-	305,997	1,058,052	34,809	5,507	-	1,404,365	1,386,048

	Freehold Land Rs.'000	Freehold buildings Rs.'000	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Capital work-in-progress Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Carrying amount as at 31st March 2023	23,402,734	55,180,848	23,426,753	1,083,760	2,290,540	679,895	106,064,530	
- Recognised under non-current	23,402,734	55,180,848	22,873,020	1,072,089	2,290,540	679,895	105,499,126	
- Recognised under current *	-	-	553,733	11,671	-	-	565,404	
Carrying amount as at 31st March 2022	18,940,456	52,144,110	21,492,382	1,099,940	2,428,792	287,366		96,393,046
- Recognised under non-current	18,940,456	52,144,110	20,925,706	1,083,706	2,428,792	287,366		95,810,136
- Recognised under current	-	-	566,676	16,234	-	-		582,910

* Consequent to the expiry of the short term power purchase agreement (PPA) signed between Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company and the Ceylon Electricity Board (CEB) on 28th September 2022, discussions concerning an extension to the PPA are ongoing with the CEB. As the outcome of these discussions are uncertain property, plant and equipment of Ace Power Embilipitiya (Pvt) Ltd., continued to be treated under current assets.

The value of property, plant and equipment pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 34,988.3 million (2021/2022- Rs. 28,972.5 million).

No borrowing costs on interest-bearing loans and borrowings and lease liabilities were capitalised by the Group on qualifying assets during the financial year (2021/2022 - Nil).

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

The exchange difference has arisen as a result of the translation of property, plant and equipment of foreign operations which are accounted for in foreign currencies and translated to the reporting currency at the balance sheet date.

In compliance with the accounting policy, land owned by Group companies are revalued by independent professional valuers at least once in every five years unless there is an indication of a significant change in the market rates. Details of the revalued land are given in the note 15.3.2 to the financial statements. Tax impact on revaluation of land is given in note 12 to the financial statements.

On re-assessment of the fair value of the Group's assets, it has been identified that there is no impairment of property plant and equipment which requires provision in the financial statements.

Property plant and equipment as at 31st March 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 12,968.0 million that are still in use (2021/2022 - Rs. 11,311.8 million).

NOTES TO THE FINANCIAL STATEMENTS

15.2 Company

	Plant machinery and equipment Rs.'000	Motor vehicles Rs.'000	Furniture and fittings Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Cost or revaluation					
Balance as at 01st April	186,542	118,875	80,247	385,664	395,378
Additions	22,373	-	120	22,493	24,701
Disposals	(6,560)	-	(276)	(6,836)	(34,415)
Balance as at 31st March	202,355	118,875	80,091	401,321	385,664
Accumulated depreciation					
Balance as at 01st April	141,679	75,272	77,329	294,280	298,914
Charge for the year	18,087	11,032	831	29,950	29,736
Disposals	(6,560)	-	(276)	(6,836)	(34,370)
Balance as at 31st March	153,206	86,304	77,884	317,394	294,280
Carrying amount as at 31st March 2023	49,149	32,571	2,207	83,927	
Carrying amount as at 31st March 2022	44,863	43,603	2,918		91,384

There were no property plant and equipment pledged by the Company as security for facilities obtained from banks (2021/2022 - nil).

There were no borrowing costs capitalised on interest-bearing loans and borrowings and lease liabilities by the Company on qualifying assets during the financial years 2022/2023 and 2021/2022.

Property plant and equipment as at 31st March 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 187.2 million that are still in use (2021/2022 - Rs. 176.8 million).

15.3 Freehold land

15.3.1 Carrying amount of land

As at	31.03.2023 Rs.'000
Land carried at revalued amount (note 15.3.2)	23,300,373
Land carried at cost (fair value) (note 15.3.3)	102,361
	23,402,734

15.3.2 Land carried at revalued amount

Company	Location	Last revaluation date	Estimated price per perch (Significant unobservable inputs) Rs.	Extent	Carrying amount as at 31.03.2023 Rs.'000	Revaluation surplus	Carrying amount at cost Rs.'000
Aitken Spence PLC (a)	315, Vauxhall Street, Colombo 02	31.12.2022	12,500,000	1 A 0 R 12.78 P	2,154,224	2,153,067	1,157
	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2022	4,250,000	1 A 0 R 20.37 P	747,028	742,037	4,991
	170, Sri Wickrema Mw., Colombo 15	10.12.2022	1,500,000	3 A 3 R 31.00 P	942,350	899,389	42,961
	Moragalla, Beruwala	13.12.2022	475,000	10 A 1 R 23.97 P	790,000	789,046	954
	290/1, Inner Harbour Road, Trincomalee	17.10.2022	525,000	0 A 1 R 4.95 P	23,500	23,500	-
Ace Containers (Pvt) Ltd (a)	775/5, Negombo Road, Wattala	22.12.2022	625,000	22 A 0 R 24.88 P	2,215,500	2,120,947	94,553
	385, Colombo Road, Welisara	22.12.2022	725,000	8 A 3 R 12.23 P	1,023,000	936,327	86,673
	No.377, Negombo Road, Welisara, Ragama	22.12.2022	750,000	1 A 1 R 17.80 P	163,000	75,935	87,065
Ace Distriparks (Pvt) Ltd (a)	80, Negombo Road, Wattala	22.12.2022	1,750,000	2 A 2 R 17.03 P	729,800	360,238	369,562
Ahungalla Resorts Ltd (a)	Ahungalla Resorts", Galle Road, Ahungalla	24.12.2022	523,500 - 600,000	12 A 3 R 35.21 P	1,113,500	213,623	899,877
Aitken Spence (Garments) Ltd (a)	222, Agalawatte Road, Matugama	20.12.2022	125,000	2 A 3 R 0 P	55,000	49,840	5,160
Aitken Spence Hotel Holdings PLC (a)	Heritance Ahungalla", Galle Road, Ahungalla	24.12.2022	475,000	11 A 3 R 34.02 P	825,000	806,798	18,202
	Heritance Ahungalla", Galle Road, Ahungalla	24.12.2022	475,000	0 A 0 R 39.26 P	18,500	13,293	5,207
Aitken Spence Hotel Managements (South India) Ltd (b)	144/7, Rajiv Gandhi Salai, Kottivakkam, OMR, Chennai, India	11.11.2022	14,000,000	0 A 3 R 15.14 P	1,887,670	839,700	1,047,970
Aitken Spence Property Developments Ltd (a)	90, St.Rita's Estate, Mawaramandiya	14.12.2022	325,000	3 A 0 R 25.08 P	164,000	139,572	24,428
Aitken Spence Resorts (Middle East) LLC (c)	Al Hamriya, Sultanate of Oman	15.02.2022	8,000,000	5 A 0 R 8.00 P	6,498,396	785,966	5,712,430
Branford Hydropower (Pvt) Ltd (a)	225, Gangabada Road, Kaludawela, Matale	08.10.2022	60,000	2 A 0 R 14.00 P	20,000	9,467	10,533
Clark Spence and Company (Pvt) Ltd (a)	24-24/1, Church Street, Galle	20.12.2022	5,500,000	0 A 1 R 27.90 P	373,450	373,415	35
Heritance (Pvt) Ltd (a)	Moragalla, Beruwala	13.12.2022	375,000	5 A 3 R 6.80 P	347,500	336,420	11,080
Kandalama Hotels Ltd (a)	Kandalama, Dambulla	18.10.2022	370	169 A 2 R 22.00 P	10,000	2,616	7,384
Logilink (Pvt) Ltd (a)	309/4 a, Negombo Road, Welisara	22.12.2022	525,000	2 A 1 R 9.50 P	193,500	111,009	82,491
Meeraladuwa (Pvt) Ltd (a)	Meeraladuwa Island, Balapitiya	27.12.2022	43,500 - 86,500	29 A 2 R 9.00 P	226,350	126,088	100,262
Neptune Ayurvedic Village (Pvt) Ltd (a)	Ayurvedic village - Moragalla, Beruwala	13.12,2022	252,000	0 A 0 R 19.30 P	4,860	796	4,064
Perumbalam Resorts (Pvt) Ltd (d)	Cochin - Kerala, India	22.01.2023	176,000	4 A 0 R 9.00 P	114,265	96,852	17,413
PR Holiday Homes (Pvt) Ltd (d)	Cochin - Kerala, India	23.01.2023	182,000	14 A 0 R 7.52 P	409,457	188,668	220,789
Turyaa (Pvt) Ltd (a)	418, Parallel Road, Kudawaskaduwa, Kalutara	13.12,2022	550,000	5 A 1R 37.90 P	440,000	420,235	19,765
	49, Sea Beach Road, Kalutara	13.12,2022	700,000	0 A 1R 30.32 P	39,775	38,287	1,488
Turyaa Resorts (Pvt) Ltd (a)	Kudawaskaduwa, Kalutara	13.12,2022	550,000	1 A 3 R 33.20 P	172,000	115,221	56,779
	Kudawaskaduwa, Kalutara	13.12,2022	550,000	0 A 1 R 34.30 P	40,000	30,826	9,174
Vauxhall Investments Ltd (a)	316, K. Cyril C. Perera Mw., Colombo 13	30.09.2022	4,250,000	0 A 1 R 21.08 P	252,972	231,133	21,839
Vauxhall Property Developments Ltd (a)	305, Vauxhall Street, Colombo 02	31.12.2022	12,500,000	0 A 2 R 24.73 P	1,305,776	1,291,045	14,731
					23,300,373	14,321,356	8,979,017

The above lands have been revalued on the basis of current market value by independent, qualified valuers who have recent experience in the location and category of property being valued.

a Valuation of the land was carried out by Mr. K.C.B Condegama, *F.I.V (Sri Lanka)*.

b Valuation of the land was carried out by CBRE South Asia Pvt. Ltd, India.

c Valuation of the land was carried out by R. Tulsian Global, Oman.

d Valuation of the land was carried out by Mr. T.T. Kripananda Singh, *B.Sc.(Engg.) Civil, FIE, FIV, C.(Engg.) (India)*.

15.3.3 Land carried at cost (fair value)

Company	Location	Acquisition date	Average price per perch Rs.	Extent	Carrying amount as at 31.03.2023 Rs.'000
Aitken Spence Property Developments Ltd	St.Rita's Estate, Mawaramandiya	15.11.2018	325,000	1 A 0 R 0.00 P	54,239
Kandalama Hotels Ltd	Kandalama, Dambulla	17.11.2022	20,500	13 A 3 R 38.00 P	48,122
					102,361

The above land which is carried at cost have not been revalued since the acquisition cost represents the fair value.

16 Investment properties

ACCOUNTING POLICY

Recognition and measurement

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business, by the Group are accounted for as investment properties.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is measured at its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS 40) -"Investment Property". Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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 as follows:

Buildings	20 - 50 years

In the consolidated financial statements, properties which are occupied by companies within the Group for the production or supply of goods and services or for administrative purposes are treated as property, plant and equipment, while these properties are treated as investment property in the financial statements of the company owning the asset, if such company has rented out the property to other Group companies.

16.1 Movement during the year

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000	COMPANY 2022/2023 Rs.'000	COMPANY 2021/2022 Rs.'000
Cost				
Balance as at 01st April	1,634,031	1,633,400	3,494,670	3,494,039
Additions	-	631	-	631
Balance as at 31st March	1,634,031	1,634,031	3,494,670	3,494,670
Accumulated depreciation				
Balance as at 01st April	2,127	1,820	75,331	73,463
Charge for the year	323	307	1,883	1,868
Balance as at 31st March	2,450	2,127	77,214	75,331
Carrying amount as at 31st March	1,631,581	1,631,904	3,417,456	3,419,339

16.2 Amounts recognised in profit or loss

For the year ended 31st March 2023	GROUP Rs.'000	COMPANY Rs.'000
Rental income earned	-	49,284
Direct operating expenses generating rental income	-	1,845
Direct operating expenses that did not generate rental income	25,404	25,404

For 2021/2022, the total rent income earned by the company from the investment properties was Rs. 48.9 million (Group-nil). There were no direct operating expenses arising on any of the above investment properties during 2021/2022.

There were no restrictions on the realisability of any investment property or on the remittance of income or proceeds of disposal.

16.3 Details of land and buildings classified as investment property

Company	Location	Extent - Land	Extent - Building	Significant unobservable inputs - Estimated price per perch . Rs.	Significant unobservable inputs - Estimated price per square foot Rs.	Carrying value of investment property as at 31.03.2023 - Group Rs.'000	Carrying value of investment property as at 31.03.2023 - Company Rs.'000	Number of buildings
Aitken Spence PLC	315, Vauxhall Street, Colombo 02	1 A 0 R 12.78 P	-	12,500,000	-	-	900,000	-
	316, K. Cyril C. Perera Mw., Colombo 13	1 A 0 R 20.37 P	7,988 sq.ft	4,250,000	2,500 - 3,500	-	223,650	2
	170, Sri Wickrema Mw., Colombo 15	3 A 3 R 31.00 P	7,282 sq.ft	1,500,000	3,750 - 5,750	-	188,000	7
	Moragalla, Beruwala	10 A 1 R 23.97 P	125,349 sq.ft	475,000	12,500	-	533,784	6
	290/1, Inner Harbour Road, Trincomalee	0 A 1 R 4.95 P	1,970 sq.ft	525,000	3,500	-	12,700	1
	Irakkakandi Village, VC Road, Nilaweli	108 A 1 R 0.00 P	325 sq.ft	77,000 - 260,000	2,000	1,559,322	1,559,322	1
Aitken Spence Hotel Managements (Pvt) Ltd	Irakkakandi Village, VC Road, Nilaweli	5 A 0 R 1.00 P	-	77,000 - 260,000	-	72,000	-	-
Aitken Spence Developments (Pvt) Ltd	58/1, Park Road Kerawalapitiya,Wattala	-	1,680 sq.ft	-	1,500	259	-	8
						1,631,581	3,417,456	

16.4 Market value

Investment properties in the Group are accounted for on the cost model. The open market value of these properties as at 31st March 2023 based on valuation carried out by an independent, qualified valuer who has recent experience in the location and category of investment property being valued, are for the Group, Rs. 2,632 million (2021/2022 - Rs.2,568 million)., and for the company, Rs. 7,740 million (2021/2022 - Rs. 6,520 million).

17 Intangible assets

ACCOUNTING POLICY

Initial Recognition and measurement

The Group recognises intangible assets if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of preparing the asset for its intended use.

The cost of an intangible asset acquired in a business combination is the fair value of the asset at the date of acquisition.

The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

Subsequent costs

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Subsequent measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of an intangible asset is assessed to be either finite or indefinite.

Amortisation

Intangible assets with finite lives are amortised over the useful economic life of the asset and assessed for impairment. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets recognised by the Group

Computer software

All computer software costs incurred and licensed for use by the Group, which do not form an integral part of related hardware, and can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets.

Website Costs

Costs incurred on development of websites are capitalised as intangible assets when the entity is satisfied that the web site will generate probable economic benefits in the future.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The policy on measurement of goodwill at initial recognition is given in note 4.1.1.

Goodwill is subsequently measured at cost less accumulated impairment losses.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is allocated to the carrying amount of the equity accounted investee.

In accordance with the above, the group assess the useful life of the computer software and website costs have a finite useful life :

Intangible Asset	Useful life
Computer Software	3-5 years
Website Cost	3-5 years

17.1 Group

	Goodwill	Software	Other intangibles Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Cost					
Balance as at 01st April	1,410,585	713,427	32,526	2,156,538	1,763,013
Exchange difference	86,924	23,846	2,404	113,174	318,358
Companies acquired during the year	331,364	-	-	331,364	-
Additions	-	7,723	1,330	9,053	72,670
Transfers from property, plant and equipment	-	-	-	-	2,900
Disposals	-	(8,226)	-	(8,226)	(403)
Balance as at 31st March	1,828,873	736,770	36,260	2,601,903	2,156,538
Accumulated amortisation / impairment					
Balance as at 01st April	198,769	567,686	31,110	797,565	697,047
Exchange difference	-	15,059	2,447	17,506	55,943
Amortisation for the year	-	54,194	1,047	55,241	43,842
Transfers from property, plant and equipment	-	-	-	-	1,136
Disposals	-	(8,226)	-	(8,226)	(403)
Balance as at 31st March	198,769	628,713	34,604	862,086	797,565
Carrying amount as at 31st March 2023	1,630,104	108,057	1,656	1,739,817	
Carrying amount as at 31st March 2022	1,211,816	145,741	1,416		1,358,973

There were no intangible assets pledged by the Group as security for facilities obtained from banks (2021/2022- nil).

Intangible assets as at 31st March 2023 includes fully amortised assets having a gross carrying amount (cost) of Rs. 514.5 million that are still in use (2021/2022 - Rs. 491.5 million).

17.1.1 Net carrying value of goodwill

Goodwill arising on business combinations have been allocated to the following sectors for impairment testing. Each sector may consist of several cash generating units (CGU's).

As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Tourism sector	850,049	763,125
Maritime and freight logistics sector	378,637	378,637
Strategic investments	381,364	50,000
Services sector	20,054	20,054
	1,630,104	1,211,816

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. Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth.

The key assumptions used are given below;

Business growth - Based on the long term average growth rate for each business unit where applicable. The weighted average growth rate used is consistent with the forecasts included in industry reports (2022/2023 - 2.0 % to 17.0 %, 2021/2022 - 2.0% to 16.0%).

Discount rate – Risk free rate adjusted for the specific risk relating to the industry (2022/2023 -4.0 % to 15.3%, 2021/2022 - 4.0% to 15.5%).

Inflation – Based on current inflation rate.

Margin – Based on past performance and budgeted expectations.

NOTES TO THE FINANCIAL STATEMENTS

17.2 Company

For the year	Software 2022/2023 Rs.'000	Software 2021/2022 Rs.'000
Cost or valuation		
Balance as at 01st April	268,542	198,687
Additions	-	69,855
Balance as at 31st March	268,542	268,542
Accumulated amortisation		
Balance as at 01st April	191,498	180,112
Charge for the year	18,103	11,386
Balance as at 31st March	209,601	191,498
Carrying amount as at 31st March	58,941	77,044

There were no intangible assets pledged by the Company as security for facilities obtained from banks (2021/2022 - nil).

Intangible assets as at 31st March 2023 includes fully depreciated assets having a gross carrying amount (cost) of Rs. 170.1 million that are still in use (2021/2022 - Rs. 169.5 million).

18 Biological assets

ACCOUNTING POLICY

The plantation companies within the Group manages the biological transformation of certain fruit plants for harvesting of agricultural produce from such plants and includes those and the respective nursery plants under biological assets.

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological assets include tea, rubber, fruit and other trees, that are not intended to be sold or harvested, but grown for harvesting of agricultural produce from such biological assets. Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Bearer Biological Assets

Bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – property, plant and equipment.

The Group measures immature plantations at cost. The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilising, etc., incurred between the time of planting and harvesting, that is, when the planted area attains maturity, are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets that comes in to bearing during the year are transferred to mature plantations.

Nursery plants

Nursery plant cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

Produce on Bearer Biological Assets

In accordance with LKAS 41, the Group recognises agricultural produce growing on bearer plants at fair value less cost to sell. Any change in the fair value of such agricultural produce are recognised in profit or loss at the end of each reporting period.

Depreciation and amortisation

Mature plantations are depreciated over their useful life or unexpired lease period of the farm land which ever is lower. Depreciation is recognised in the income statement on a straight line basis over the estimated useful economic lives of each part of an item of biological asset as below.

Passion fruit	5 years
Pineapple	3 years
Papaya	4 years
Soursop	20 years

Depreciation method, useful life and residual valued are remeasured at the reporting date and adjusted prospectively, if appropriate.

Specific accounting policy of Elpitiya Plantations PLC., an equity accounted investee

Elpitiya Plantations PLC., recognises tea, rubber, oil palm, coconut, cinnamon and berry plantations managed by them as biological assets in their financial statements.

Produce on Bearer Biological Assets

Elpitiya Plantations PLC recognises agricultural produce growing on bearer plants at fair value less cost to sell. Any change in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period. For this purpose, quantities of harvestable agricultural produce is ascertained based on the harvesting cycle of each crop category by limiting to one harvesting cycle based on the last day of the harvest in the immediately preceding cycle. Further, 50% of the crops in that harvesting cycle are considered for the valuation.
For the valuation of the harvestable agricultural produce, the Group uses the following price formulas.

Tea	– Bought leaf rate (current month) less cost of harvesting and transport
Rubber	– Latex price (95% of current RSS1 Price) less cost of tapping and transport
Oil Palm	– Bought mill net sale average less cost of harvesting and transport

Depreciation and amortisation

Mature plantation of Elpitiya Plantation PLC are depreciated over the following useful lives of the assets.

Tea	33 1/3 Years
Rubber	20 Years
Oil Palm	20 Years
Coconut	50 Years
Cinnamon	20 Years

	GROUP			
	Immature plantations Rs.'000	Mature plantations Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Cost				
Balance as at 01st April 2022	69,667	13,731	83,398	75,644
Additions	2,539	-	2,539	7,754
Transfers	(17,429)	17,429	-	-
Balance as at 31st March 2023	54,777	31,160	85,937	83,398
Accumulated depreciation				
Balance as at 01st April 2022	-	13,729	13,729	12,522
Charge for the year	-	874	874	1,207
Balance as at 31st March 2023	-	14,603	14,603	13,729
Carrying amount as at 31st March 2023	54,777	16,557	71,334	
Carrying amount as at 31st March 2022	69,667	2		69,669

There were no biological assets pledged by the Group as security for facilities obtained from banks (2021/2022 - nil).

No borrowing costs were capitalised under biological assets on interest-bearing loans and borrowings and lease liabilities by the Group during the financial year (2021/2022 - 2.2 million).

19 Right-of-use assets

ACCOUNTING POLICY

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease as per SLFRS 16 - Leases.

The right-of-use asset is initially measured at cost. This comprises of the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is also adjusted for certain subsequent remeasurements of the lease liability.

After the commencement date, the Group measures the right-of-use asset on the cost model.

Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Depreciation

Right-of-use assets are depreciated using the straight-line method over the shorter of the lease term and the estimated useful life of the underlying asset.

If the ownership of the leased asset transfers to the Group at the end of the lease term, or the cost of the right-of-use asset reflects the exercise of a purchase option the asset is depreciated over the useful life of the underlying asset.

The right-of-use assets are subject to impairment.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

19.1 Movement during the year

Leasehold properties that do not meet the definition of an investment property are presented as right-of-use assets.

	Right-of-Use Land Rs.'000	Right-of-Use buildings Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Cost				
Balance as at 01st April				
- Recognised under non-current	26,448,161	4,360,220	30,808,381	21,221,746
- Recognised under current	4,206	-	4,206	4,206
Companies acquired during the year	63,464	-	63,464	7,828
Exchange difference	2,895,216	268,165	3,163,381	9,485,166
Additions	993	75,707	76,700	106,302
Disposals	(38,521)	(17,289)	(55,810)	(12,661)
Balance as at 31st March	29,373,519	4,686,803	34,060,322	30,812,587
- Recognised under non-current	29,368,319	4,686,803	34,055,122	30,808,381
- Recognised under current	5,200	-	5,200	4,206

	Right-of-Use Land Rs.'000	Right-of-Use buildings Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Accumulated depreciation				
Balance as at 01st April				
- Recognised under non-current	9,399,851	2,563,831	11,963,682	7,161,340
- Recognised under current	3,614	-	3,614	3,023
Companies acquired during the year	6,060	-	6,060	1,421
Exchange difference	919,904	152,588	1,072,492	3,686,269
Charge for the year	1,493,834	402,647	1,896,481	1,127,904
Other transfers	(112)	112	-	-
Disposals	(2,554)	(17,289)	(19,843)	(12,661)
Balance as at 31st March	11,820,597	3,101,889	14,922,486	11,967,296
- Recognised under non-current	11,816,392	3,101,889	14,918,281	11,963,682
- Recognised under current	4,205	-	4,205	3,614
Carrying amount as at 31st March 2023	17,552,922	1,584,914	19,137,836	
- Recognised under non-current	17,551,927	1,584,914	19,136,841	
- Recognised under current *	995	-	995	
Carrying amount as at 31st March 2022	17,048,902	1,796,389		18,845,291
- Recognised under non-current	17,048,310	1,796,389		18,844,699
- Recognised under current *	592	-		592

* Consequent to the expiry of the short term power purchase agreement (PPA) signed between Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company and the Ceylon Electricity Board (CEB) on 28th September 2022, discussions concerning an extension to the PPA are ongoing with the CEB. As the outcome of these discussions are uncertain right-of-use assets of Ace Power Embilipitiya (Pvt) Ltd., continued to be treated under current assets.

19.2 Amounts recognised in profit or loss on SLFRS 16 - Leases

For the year	2022/2023 Rs.'000	2021/2022 Rs.'000
Depreciation expense of right-of-use assets (note 19.1)	1,896,481	1,127,904
Interest on lease liabilities (note 31.1)	1,118,674	710,724
Expenses relating to short term leases and leases of low value assets	560,504	336,034

19.3 Amounts recognised in statement of cash flows on SLFRS 16 - Leases

For the year	2022/2023 Rs.'000	2021/2022 Rs.'000
Lease capital repayment	1,887,444	1,439,891
Lease interest paid	1,086,339	698,544
Total cash outflow for leases (note 31.1)	2,973,783	2,138,435

19.4 Details of leased properties relating to right-of-use assets

Company	Nature of the leasing activity	Location of the leased property	Unexpired lease periods as at 31.03.2023
Ace Apparels (Pvt) Ltd	Land	Koggala - Sri Lanka	41 years
Ace Containers (Pvt) Ltd	Yard and Warehouse facilities	Wattala - Sri Lanka	02 years
Ace Container Terminals (Pvt) Ltd	Land	Katunayake - Sri Lanka	65 years
Ace Distriparks (Pvt) Ltd	Land	Mihinthale - Sri Lanka	21 years
Ace Distriparks (Pvt) Ltd	Warehouse facilities	Welisara and Wattala - Sri Lanka	01 - 02 years
Ace Power Embilipitiya (Pvt) Ltd	Land	Embilipitiya - Sri Lanka	02 years
Ace Windpower (Pvt) Ltd	Land	Ambewela - Sri Lanka	10 years
Aitken Spence Agriculture (Pvt) Ltd	Land	Dambulla - Sri Lanka	20 years
Aitken Spence Cargo (Pvt) Ltd	Warehouse facilities	Mulleriyawa - Sri Lanka	01 - 02 years
Aitken Spence Hotel Managements (Pvt) Ltd	Warehouse facilities	Colombo 02 - Sri Lanka	01 year
Aitken Spence Property Developments (Pvt) Ltd	Land	Colombo 02 - Sri Lanka	01 year
Global Parcel Delivery (Pvt) Ltd	Warehouse facility	Ingiriya - Sri Lanka	04 years
Hethersett Hotels Ltd	Land	Nuwara Eliya - Sri Lanka	72 years
Kandalama Hotels (Pvt) Ltd	Land	Dambulla - Sri Lanka	20 years
Waltrim Hydropower (Pvt) Ltd	Land and building	Nuwara Eliya - Sri Lanka	18 years
Western Power Company (Pvt) Ltd	Land	Muthurajawela - Sri Lanka	24 years
ADS Resorts (Pvt) Ltd	Island	North Male' Atoll - Maldives	04 years
Cowrie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	26 years
Cowrie Investments (Pvt) Ltd	Island	Raa Atoll - Maldives	42 years
Jetan Travel Services Company (Pvt) Ltd	Island	South Male' Atoll - Maldives	20 years
Unique Resorts (Pvt) Ltd	Island	South Male' Atoll - Maldives	23 years
Fiji Ports Terminal Ltd	Wharfs used for ports operations	Suva - Fiji	06 years

The Group leases office space, office equipment, motor vehicles etc., with contract terms less than five years. These leases are either short term (term less than one year) and/or leases having low-value. Hence, the Group has elected not to recognise theses leases as right-of-use assets and lease liabilities.

The value of right-of-use assets pledged by the Group as security for interest-bearing liabilities obtained from banks amounted to Rs. 4,766.8 million (2021/2022- Rs. 7,649.6 million).

20 Investments in subsidiaries

ACCOUNTING POLICY

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses.

20.1 Carrying amount of investments in subsidiaries

As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Investment in subsidiaries - unquoted (note 20.2)	11,689,225	10,582,204
Investment in subsidiaries - quoted (note 20.3)	2,458,287	2,458,287
	14,147,512	13,040,491

20.2 Investments in subsidiaries - unquoted

	Country of incorporation	Number of shares as at 31.03.2023	Company holding %	Group holding %	Non-controlling holding %	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000
a) Ordinary shares							
Ace Apparels (Pvt) Ltd (a) (b) (c)	Sri Lanka	13,100,001	100.00	100.00	-	131,000	131,000
Ace Cargo (Pvt) Ltd (a)	Sri Lanka	990,000	100.00	100.00	-	245,173	245,173
Ace Container Repair (Pvt) Ltd (a)	Sri Lanka	2,250,000	100.00	100.00	-	22,500	22,500
Ace Container Terminals (Pvt) Ltd (a)	Sri Lanka	1,550,002	100.00	100.00	-	15,500	15,500
Ace Containers (Pvt) Ltd (a)	Sri Lanka	4,725,660	100.00	100.00	-	440,100	440,100
Ace Distriparks (Pvt) Ltd (a)	Sri Lanka	11,150,000	100.00	100.00	-	314,000	89,000
Ace Exports (Pvt) Ltd (a)	Sri Lanka	1,400,000	100.00	100.00	-	14,000	14,000
Ace Freight Management (Pvt) Ltd (a)	Sri Lanka	5,222,500	100.00	100.00	-	36,307	36,307
Ace International Express (Pvt) Ltd	Sri Lanka	10,000	100.00	100.00	-	100	100
Ace Wind Power (Pvt) Ltd (a)	Sri Lanka	37,050,000	100.00	100.00	-	430,000	430,000
Aitken Spence Agriculture (Pvt) Ltd (a) (b)	Sri Lanka	7,500,001	100.00	100.00	-	75,000	75,000
Aitken Spence Apparels (Pvt) Ltd (a) (b) (c)	Sri Lanka	1,500,000	100.00	100.00	-	15,000	15,000
Aitken Spence Cargo (Pvt) Ltd (a)	Sri Lanka	10,000	100.00	100.00	-	820	820
Aitken Spence Exports (Pvt) Ltd (c)	Sri Lanka	52,500	100.00	100.00	-	514	514
Aitken Spence Group Ltd (a) (b)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Insurance Brokers (Pvt) Ltd (b)	Sri Lanka	152,740	100.00	100.00	-	1,500	1,500
Aitken Spence International Consulting (Pvt) Ltd (b)	Sri Lanka	10,000	100.00	100.00	-	100	100
Aitken Spence Maritime Ltd (a)	Sri Lanka	140,000	100.00	100.00	-	1,400	1,400
Aitken Spence Power (Pvt) Ltd (a)	Sri Lanka	1,826,204	100.00	100.00	-	18,262	18,262
Aitken Spence Printing and Packaging (Pvt) Ltd (a)	Sri Lanka	10,000,000	100.00	100.00	-	100,000	100,000
Aitken Spence Shipping Ltd (a)	Sri Lanka	2,038,072	100.00	100.00	-	132,717	132,717
Aitken Spence Shipping Services Ltd (a)	Sri Lanka	25,000	100.00	100.00	-	20,200	20,200
Aitken Spence Technologies (Pvt) Ltd (b)	Sri Lanka	1,577,506	100.00	100.00	-	13,888	13,888
Branford Hydropower (Pvt) Ltd (a)	Sri Lanka	16,400,100	100.00	100.00	-	223,000	223,000
Clark Spence and Company (Pvt) Ltd	Sri Lanka	25,000	100.00	100.00	-	74,300	74,300
Logilink (Pvt) Ltd (a)	Sri Lanka	30,000,000	100.00	100.00	-	222,690	222,690
Royal Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	50,000	100.00	100.00	-	500	500
Vauxhall Investments (Pvt) Ltd (a)	Sri Lanka	1,320,000	100.00	100.00	-	13,200	13,200
Vauxhall Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	11,270,000	100.00	100.00	-	153,401	153,401
Waltrim Energy Ltd (a)	Sri Lanka	57,855,000	100.00	100.00	-	873,890	873,890
Sagasolar Power (Pvt) Ltd (a) (b) (c)	Sri Lanka	84,904,336	100.00	100.00	-	1,400,000	-
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	75,425,725	96.41	100.00	-	766,594	766,594
Aitken Spence Developments (Pvt) Ltd	Sri Lanka	45,999	92.00	92.00	8.00	1,825	1,825
Western Power Company (Pvt) Ltd (a) (c)	Sri Lanka	80	80.00	80.00	20.00	200,000	200,000
Aitken Spence Elevators (Pvt) Ltd (a)	Sri Lanka	154,786	77.40	77.40	22.60	11,594	11,594
Aitken Spence Moscow (Pvt) Ltd (a)	Sri Lanka	37,500	75.00	75.00	25.00	375	375
Ace Power Embilipitiya (Pvt) Ltd (a) (c)	Sri Lanka	124,033,413	74.00	74.00	26.00	703,626	703,626
Ace Aviation Services (Pvt) Ltd (a)	Sri Lanka	26,251	50.00	100.00	-	263	263
Aitken Spence (Garments) Ltd (a) (b) (c)	Sri Lanka	998,747	50.00	50.00	50.00	26,257	26,257
Aitken Spence Travels (Pvt) Ltd (a) (c)	Sri Lanka	1,704,000	50.00	50.00	50.00	60,875	60,875
MMBL Money Transfer (Pvt) Ltd (a)	Sri Lanka	3,000,000	50.00	50.00	50.00	35,566	35,566
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	4,020,000	51.00	87.50	12.50	40,200	40,200
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (c)	Sri Lanka	4,924,500	49.00	86.99	13.01	49,245	49,245
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	10,323,225	39.00	86.99	13.01	99,000	99,000
Kandalama Hotels (Pvt) Ltd (a) (c)	Sri Lanka	6,000,000	37.00	82.99	17.01	182,050	182,050

NOTES TO THE FINANCIAL STATEMENTS

	Country of incorporation	Number of shares as at 31.03.2023	Company holding %	Group holding %	Non-controlling holding %	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000
Interlifts International Pvt Ltd	Maldives	23,721	39.99	40.00	60.00	2,005	2,005
Ace Aviation Services Maldives Pvt Ltd	Maldives	490	49.00	49.00	51.00	639	639
Fiji Ports Terminal Ltd (a)	Fiji	1,572,993	51.00	60.80	39.20	749,242	749,242
Aitken Spence International Pte. Ltd (a) (b) (c)	Singapore	100	100.00	100.00	-	-	-
Aitken Spence Corporate Finance (Pvt) Ltd (a) (b) (c)	Sri Lanka	2	100.00	100.00	-	-	-
Global Parcel Delivery (Pvt) Ltd (a)	Sri Lanka	1	100.00	100.00	-	-	-
Aitken Spence Ports International Ltd (a)	Sri Lanka	10,000	10.00	100.00	-	-	-
Western Power Holdings (Pvt) Ltd (a) (refer note 28)	Sri Lanka	-	-	-	-	-	500,000
						7,918,518	6,793,518
b) Preference Shares							
Cumulative preference shares							
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	500,000	100.00	100.00	-	5,000	5,000
Aitken Spence Hotel Holdings PLC (a) (c)	Sri Lanka	16,500,000	100.00	100.00	-	165,000	165,000
Western Power Company (Pvt) Ltd (a) (c) *	Sri Lanka	40,000,000	100.00	100.00	-	3,700,000	3,700,000
Non-cumulative preference shares							
Aitken Spence (Garments) Ltd (a) (b) (c)	Sri Lanka	4,000,000	72.73	72.73	27.27	40,000	40,000
						3,910,000	3,910,000
Provision for impairment of investments (note 20.2.1)						(139,293)	(121,314)
						11,689,225	10,582,204

* During 2018/2019 financial year, 40,000,000 Redeemable Cumulative preference shares of Rs. 100.00 each were issued to Aitken Spence PLC by Western Power (Pvt) Ltd. The called up capital on the shares as at 31.03.2023 and 31.03.2022 was Rs. 92.50 per share. The outstanding balance subscription of Rs. 7.50 per share will be called from time to time as and when required by the issuing company.

20.2.1 Movement in provision for impairment of investments in subsidiaries

For the year	2022/2023 Rs.'000	2021/2022 Rs.'000
Balance as at 01st April	121,314	97,129
Impairment made during the year	18,004	24,185
Classified as held for sale	(25)	-
Balance as at 31st March	139,293	121,314

During the period under review the Company impaired some of its investments in the strategic investments sector and recognised an impairment loss of Rs. 18.0 million in the income statement under depreciation, amortisation and impairment (losses) / reversals of non-financial assets.

20.3 Investment in subsidiaries - quoted

	Country of incorporation	Number of shares as at 31.03.2023	Company holding %	Group holding %	Non-controlling holding %	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000
Aitken Spence Hotel Holdings PLC (a) (c) (Ordinary Shares)	Sri Lanka	239,472,667	71.20	74.49	25.51	2,458,287	2,458,287
						2,458,287	2,458,287
Market value of quoted investment						14,344,413	8,501,280

a,b,c - refer note 40

20.4 Inter-company shareholdings - unquoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2023	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Aitken Spence Industrial Solutions (Pvt) Ltd (a)	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	200	100.00	100.00	-
Ace Aviation Services (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	26,251	50.00	100.00	-
Ace Travels and Conventions (Pvt) Ltd	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	55,000	100.00	50.00	50.00
Ahungalla Resorts Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	78,369,024	60.00	44.69	55.31
Aitken Spence Aviation (Pvt) Ltd (a) (c)	Sri Lanka	Vauxhall Investments (Pvt) Ltd	5,000	100.00	100.00	-
Aitken Spence Developments (Pvt) Ltd	Sri Lanka	Ace Containers (Pvt) Ltd	1	0.00	92.00	8.00
Aitken Spence (Garments) Ltd (a) (b) (c)	Sri Lanka	Group companies	3	0.00	50.00	50.00
Aitken Spence Hotel Managements (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	3,862,353	49.00	87.50	12.50
Aitken Spence Hotel Managements Asia (Pvt) Ltd (b) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	5,125,500	51.00	86.99	13.01
Aitken Spence Hotels International (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	10,744,582	41.00	86.99	13.01
		Aitken Spence Hotel Management Asia (Pvt) Ltd	5,196,916	20.00		
Aitken Spence Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	14,701,204	98.01	73.01	26.99
		Group companies	2	0.00		
Aitken Spence Overseas Travel Services (Pvt) Ltd (refer note 28)	Sri Lanka	Aitken Spence Travels (Pvt) Ltd	50,000	100.00	50.00	50.00
Aitken Spence Ports International Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	90,000	90.00	100.00	-
Aitken Spence Property Developments (Pvt) Ltd (a) (b)	Sri Lanka	Vauxhall Property Developments (Pvt) Ltd	2,805,000	3.53	100.00	-
Aitken Spence Resources (Pvt) Ltd (c)	Sri Lanka	Aitken Spence Hotel Management (Pvt) Ltd	10,000	100.00	100.00	-
D.B.S. Logistics Ltd (a)	Sri Lanka	Aitken Spence Cargo (Pvt) Ltd	200,000	100.00	100.00	-
Aitken Spence Elevators (Pvt) Ltd (a)	Sri Lanka	Group companies	14	0.00	77.40	22.60
Hapag-Lloyd Lanka (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Maritime Ltd	119,999	60.00	60.00	40.00
		Clark Spence and Company (Pvt) Ltd	1	0.00		
Heritance (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	2,125,627	100.00	73.01	26.99
Hethersett Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	24,542,000	94.44	70.35	29.65
Kandalama Hotels (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotels Ltd	10,216,216	63.00	82.99	17.01
Meeraladuwa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	20,227,801	100.00	74.49	25.51
Neptune Ayurvedic Village (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	500,000	100.00	74.49	25.51
Nilaveli Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Nilaveli Holidays (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Shipping and Cargo Logistics (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Shipping Ltd	25,000	50.00	50.00	50.00
The Galle Heritage (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	1	100.00	74.49	25.51
Turyaa (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	219,812,321	100.00	74.49	25.51
Turyaa Resorts (Pvt) Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	121,920,001	100.00	74.49	25.51
Waltrim Hydropower (Pvt) Ltd (a)	Sri Lanka	Waltrim Energy Ltd	24,795,588	100.00	100.00	-
Upper Waltrim Hydropower (Pvt) Ltd (a)	Sri Lanka	Waltrim Energy Ltd	26,878,135	100.00	100.00	-
Elgin Hydropower (Pvt) Ltd (a)	Sri Lanka	Waltrim Energy Ltd	28,152,080	100.00	100.00	-
Aitken Spence Resorts (Middle East) LLC (a) (c)	Oman	Aitken Spence Hotels International (Pvt) Ltd	11,748,275	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Ace Resorts Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	462,598	100.00	86.99	13.01
		Unique Resorts Pvt Ltd	1	0.00		

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2023	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
A.D.S Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	1,274,999	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Cowrie Investments Pvt Ltd (a) (c)	Maldives	Aitken Spence Hotel Holdings PLC	52,740	60.00	44.69	55.31
Interlifts International Pvt Ltd	Maldives	Vauxhall Property Developments (Pvt) Ltd	6	0.01	40.00	60.00
Jetan Travel Services Company Pvt Ltd (c)	Maldives	Crest Star (B.V.I) Ltd	47,500	95.00	70.77	29.23
Spence Maldives Pvt Ltd (a)	Maldives	Ace Cargo (Pvt) Ltd	42,000	60.00	60.00	40.00
Unique Resorts Pvt Ltd (c)	Maldives	Aitken Spence Hotels International (Pvt) Ltd	6,374,999	100.00	86.99	13.01
		Aitken Spence Hotel Holdings PLC	1	0.00		
Aitken Spence Hotel Managements (South India) Ltd (a)	India	Aitken Spence Hotels International (Pvt) Ltd	150,048,995	83.40	84.92	15.08
		Aitken Spence Hotel Holdings PLC	29,869,000	16.60		
		Aitken Spence Hotel Services Pvt Ltd	1	0.00		
Aitken Spence Hotel Services Pvt Ltd	India	Aitken Spence Hotels International (Pvt) Ltd	10,000	100.00	86.99	13.01
Perumbalam Resorts Pvt Ltd (a)	India	PR Holiday Homes (Pvt) Ltd	9,999	99.99	73.57	26.43
		Aitken Spence Hotel Managements (South India) Ltd	1	0.01		
PR Holiday Homes Pvt Ltd (a)	India	Aitken Spence Hotel Managements Asia (Pvt) Ltd	621,310	84.57	73.57	26.43
Fiji Ports Terminal Ltd (a)	Fiji	Fiji Ports Corporation Ltd	1,511,307	49.00	60.80	39.20
Crest Star (B.V.I) Ltd (a) (c)	British Virgin Islands	Aitken Spence Hotel Holdings PLC	3,415,000	100.00	74.49	25.51
Aitken Spence Travels Myanmar Ltd (a) (c)	Myanmar	Royal Spence Aviation (Pvt) Ltd	12,000	60.00	60.00	40.00
b) Preference Shares						
Cumulative preference shares						
Ace Apparels (Pvt) Ltd (a) (b) (c)	Sri Lanka	Aitken Spence Apparels (Pvt) Ltd	22,650,000	100.00	100.00	-
Aitken Spence Hotels Ltd (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	40,000,000	100.00	74.49	25.51

During 2022/2023 the Group commenced adopting the Statement of Recommended Practice (SORP) for Merger Accounting for Common Control Combinations approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December, 2012, for business combinations in which all of the combining entities are ultimately controlled by the same party both before and after the business combination.

During the period under review, Aitken Spence Global Operations (Pvt) Ltd, was amalgamated with its immediate parent, Aitken Spence Hotels International (Pvt) Ltd and was accounted as a common control combination in accordance with the above SORP. There was no impact to the Consolidated financial statements of the Group due to this amalgamation as the combining entities were accounted for as fully owned subsidiaries prior to the amalgamation

Further, on 01 April 2023, Turyaa Resorts (Pvt) Ltd was amalgamated with Turyaa (Pvt) Ltd, both being wholly own subsidiaries of Aitken Spence Hotel Holdings PLC and will be accounted as per the same SORP.

20.5 The value of shares pledged by the Group as securities for facilities obtained from banks amounted to Rs. 4,830.7 million (2021/2022 - Rs. 4,281.5 million).

Principal activities of the Group's interest in subsidiaries are described on pages 408 to 413.

a,b,c - refer note 40

20.6 Inter-company shareholdings - quoted

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2023	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
Aitken Spence Hotel Holdings PLC (a) (c) (Ordinary Shares)	Sri Lanka	Ace Cargo (Pvt) Ltd	4,423,601	1.32	74.49	25.51
		Aitken Spence Hotel Management (Pvt) Ltd	3,530,639	1.05		
		Aitken Spence Aviation (Pvt) Ltd	2,604,140	0.77		
		Vauxhall Investments (Pvt) Ltd	340,270	0.10		
		Clark Spence and Company (Pvt) Ltd	136,101	0.04		

a,c - refer note 40

20.7 Non-controlling interests

The following table summarises the financial information relating to the Group's subsidiaries that has material non-controlling interests (before any intra-group eliminations).

For the year	2022/2023 Aitken Spence Hotel Holding PLC & Group Rs.'000	2022/2023 Other individually immaterial subsidiaries Rs.'000	2022/2023 Total Rs.'000	2021/2022 Aitken Spence Hotel Holding PLC & Group Rs.'000	2021/2022 Other individually immaterial subsidiaries Rs.'000	2021/2022 Total Rs.'000
Non - current assets	92,000,279			85,957,544		
Current assets	15,951,285			15,682,186		
Non - current liabilities	(53,506,289)			(53,708,965)		
Current liabilities	(24,265,004)			(19,789,707)		
Net assets	30,180,271			28,141,058		
Carrying amount of non-controlling interests as at 31st March	7,576,280	4,235,376	11,811,656	7,421,302	4,075,619	11,496,921
Revenue	46,059,884			24,570,780		
Profit for the year	46,809			1,034,305		
Other comprehensive income for the year, net of tax	2,350,509			5,114,716		
Total comprehensive income / (loss) for the year	2,397,318			6,149,021		
Profit / (loss) for the year allocated to non-controlling interests	(404,676)	1,837,018	1,432,342	166,840	1,449,385	1,616,225
Other comprehensive income /(loss) for the year, net of tax allocated to non-controlling interests	586,396	36,458	622,854	811,596	502,482	1,314,078
Total comprehensive income /(loss) for the year allocated to non-controlling interests	181,720	1,873,476	2,055,196	978,436	1,951,867	2,930,303
Cash flows from operating activities	8,494,454			6,793,956		
Cash flows from investing activities	(435,840)			(3,736,595)		
Cash flows from financing activities	(9,333,868)			(2,516,246)		
Net increase in cash and cash equivalents	(1,275,254)			541,115		
Dividends paid to non-controlling interests	23,096	1,650,452	1,673,548	-	1,139,490	1,139,490

21 Investments in equity-accounted investees

ACCOUNTING POLICY

Associates are those entities in which the Group has significant influence, but does not have control over the financial and operating policies. Significant influence is presumed to exist when the Group holds more than 20% of the voting rights of another entity.

Joint ventures are arrangements in which the Group has joint control and has rights to the net assets of the arrangement. The Group has joint control in a venture when there is contractually agreed sharing of control of the venture and the decisions about the relevant activities of the venture require the unanimous consent of the parties sharing control.

Associates and joint ventures are treated as equity accounted investees and are accounted for using the equity method.

Under the equity method Investments in equity-accounted investees are recognised initially at cost, which includes transaction costs. The carrying amount of the investment is adjusted at each reporting date to recognise changes in the Group's share of net assets of the equity-accounted investees arising since the acquisition date. Goodwill relating to the equity-accounted investees is included in the carrying amount of the investment. Dividends declared by the equity-accounted investees are recognised against the equity value of the Group's investment.

The income statement reflects the Group's share of the results of operations of the equity accounted investees. When there is a change recognised directly in the other comprehensive income or equity of the entity, the Group recognises its share of such changes, when applicable, in the statement of profit or loss and other comprehensive income or the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the equity-accounted investees are eliminated to the extent of the interest in the equity-accounted investees.

The Group's share of profit or loss of equity accounted investees is shown on the face of the income statement net of tax.

Adjustments are made if necessary, to the financial statements of the equity accounted investees to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its equity accounted investee. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. If such company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equal the share of losses not recognised previously.

The Group determines at each reporting date whether there is any objective evidence that the investment in the equity accounted investee is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the equity-accounted investees and its carrying value and recognises the amount in the income statement.

Upon loss of significant influence over the associate or the joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the equity accounted investee disposed and the fair value of the retaining investment and the proceeds from disposal is recognised in the income statement.

For the year	Notes	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000	COMPANY 2022/2023 Rs.'000	COMPANY 2021/2022 Rs.'000
Recognised in the statement of financial position					
Interest in joint ventures	21.1.1	1,333,262	1,300,012	143,700	143,700
Interest in associates	21.2.1	7,904,831	7,264,089	2,516,255	2,516,255
Carrying amount as at 31.03.2023		9,238,093	8,564,101	2,659,955	2,659,955
Recognised in the income statement					
Interest in joint ventures	21.1.2	286,461	238,251	-	-
Interest in associates	21.2.2	783,676	443,980	-	-
Share of profit of equity-accounted investees (net of tax)		1,070,137	682,231	-	-
Recognised in the statement of profit or loss and other comprehensive income					
Interest in joint ventures	21.1.2	29,288	32,346	-	-
Interest in associates	21.2.2	191,412	1,043,417	-	-
Share of other comprehensive income of equity-accounted investees (net of tax)		220,700	1,075,763	-	-

Share of other comprehensive income of equity-accounted investees (net of tax) is further analysed as ;

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000
Items that will not be reclassified to profit or loss	52,301	18,287
Items that are or may be reclassified to profit or loss	168,399	1,057,476
	220,700	1,075,763

21.1.1 Investment in joint ventures

	Country of incorporation	GROUP Number of shares as at 31.03.2023	GROUP Holding %	GROUP As at 31.03.2023 Rs.'000	GROUP As at 31.03.2022 Rs.'000	COMPANY Number of shares as at 31.03.2023	COMPANY Holding %	COMPANY As at 31.03.2023 Rs.'000	COMPANY As at 31.03.2022 Rs.'000
Aitken Spence C & T Investments (Pvt) Ltd (a) (b) (Ordinary shares - Unquoted)	Sri Lanka	14,170,000	50.00	141,700	141,700	14,170,000	50.00	141,700	141,700
Aitken Spence Engineering Solutions (Pvt) Ltd (Ordinary shares - Unquoted)	Sri Lanka	20,000	50.00	2,000	2,000	20,000	50.00	2,000	2,000
CINEC Campus (Pvt) Ltd (a) (consolidated with Mercantile Seaman Training Institute Ltd) (Ordinary shares - Unquoted)	Sri Lanka	253,334	40.00	502,950	502,950			-	-
Spence Seahorse Marine (Pvt) Ltd (a) (Ordinary shares - Unquoted)	Sri Lanka	2,250,000	50.00	22,500	5,000			-	-
Ace Bangladesh Ltd (a) (Ordinary shares - Unquoted)	Bangladesh	172,970	49.00	32,587	32,587			-	-
Carrying amount as at 31st March				701,737	684,237			143,700	143,700
Provision for impairment of investments				-	-			-	-
Opening cumulative net assets accruing to the group net of dividend				615,775	461,543			-	-
Group's share of total comprehensive income for the year				315,749	270,597			-	-
Dividends received for the year				(299,999)	(116,365)			-	-
Equity value of investments				1,333,262	1,300,012			143,700	143,700

21.1.2 Summarised financial information of joint ventures - Group

The following analyses, in aggregate, the net assets of individually immaterial joint ventures.

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000
Carrying amount of interest in joint ventures as at 31.03.2023	1,333,262	1,300,012
Group's share of :		
- Profit for the year (net of tax)	286,461	238,251
- Other comprehensive income for the year (net of tax)	29,288	32,346
Total comprehensive income for the year	315,749	270,597

21.1.3 Inter-company shareholdings - investment in joint ventures

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2023	Percentage holding (%) Investor holding %	Group holding %	Non-controlling holding %
CINEC Campus (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Ports International Ltd	253,334	40.00	40.00	60.00
Spence Seahorse Marine (Pvt) Ltd (a)	Sri Lanka	Aitken Spence Shipping Ltd	2,250,000	50.00	50.00	50.00
Ace Bangladesh Ltd (a)	Bangladesh	Ace Cargo (Pvt) Ltd	172,970	49.00	49.00	51.00
Aitken Spence Cargo (Cambodia) Co. Ltd (a)	Cambodia	Aitken Spence International Pte Ltd	20,000	50.00	50.00	50.00

Principal activities of the Group's interest in joint ventures are described on pages 413 to 415.

a,b,c - refer note 40

21.2.1 Investment in associates

	Country of incorporation	GROUP Number of shares as at 31.03.2023	GROUP Holding %	GROUP As at 31.03.2023 Rs.'000	GROUP As at 31.03.2022 Rs.'000	COMPANY Number of shares as at 31.03.2023	COMPANY Holding %	COMPANY As at 31.03.2023 Rs.'000	COMPANY As at 31.03.2022 Rs.'000
Aitken Spence Plantation Managements PLC (a) (b) (consolidated with Elpitiya Plantations PLC (a) (b)) (Ordinary shares - Quoted)	Sri Lanka	8,295,860	38.95	165,000	165,000	8,295,860	38.95	165,000	165,000
Fiji Ports Corporation Ltd (a) (consolidated with Fiji Ships Heavy Industries Ltd (a)) (Ordinary Shares - Unquoted)	Fiji	14,630,970	20.00	2,351,255	2,351,255	14,630,970	20.00	2,351,255	2,351,255
Serendib Investments Ltd (Ordinary Shares - Unquoted)	Fiji	1,750,000	25.00	151,215	151,215	1,500,000	25.00	151,215	151,215
Browns Beach Hotels PLC (a) (c) (consolidated with Negombo Beach Resorts (Pvt) Ltd (c)) (Ordinary shares - Quoted)	Sri Lanka	48,627,103	27.96	928,077	928,077	-	-	-	-

	Country of incorporation	GROUP				COMPANY			
		Number of shares as at 31.03.2023	Holding %	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000	Number of shares as at 31.03.2023	Holding %	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000
Amethyst Leisure Ltd (c) (consolidated with Paradise Resort Pasikudah (Pvt) Ltd (c)) (Ordinary shares - Unquoted)	Sri Lanka	218,345,163	20.78	332,848	332,848	-	-	-	-
Ace Aviation Myanmar Ltd (Ordinary shares - Unquoted)	Myanmar	1,525,000	33.33*	20,075	20,075	-	-	-	-
Carrying amount as at 31st March				3,948,470	3,948,470			2,667,470	2,667,470
Provision for impairment of investments				(30,570)	(30,570)			(151,215)	(151,215)
Opening cumulative net assets accruing to the group net of dividend				3,346,189	2,035,754			-	-
Group's share of total comprehensive income for the year				975,088	1,487,397			-	-
Dividends received for the year				(528,795)	(326,297)			-	-
Share of net assets recognised in equity				194,449	149,335			-	-
Equity value of investments				7,904,831	7,264,089			2,516,255	2,516,255
Market value of quoted investments				965,850	815,106			377,462	377,462

* Group's effective holding in Ace Aviation Myanmar Ltd.

21.2.2 Summarised financial information of associates - Group

The following analyses in aggregate the carrying amount, share of profit and other comprehensive income of individually immaterial associates.

For the year	2022/2023 Rs.'000	2021/2022 Rs.'000
Carrying amount of interest in associates as at 31.03.2023	7,904,831	7,264,089
Group's share of :		
- Profit for the year (net of tax)	783,676	443,980
- Other comprehensive income for the year (net of tax)	191,412	1,043,417
Total comprehensive income for the year	975,088	1,487,397

21.2.3 Inter-company shareholdings - investment in associates

Investee	Country of incorporation	Investor	Number of shares as at 31.03.2023	Percentage holding (%)		
				Investor holding %	Group holding %	Non-controlling holding %
Amethyst Leisure Ltd (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	218,345,163	27.89	20.78	79.22
Browns Beach Hotels PLC (a) (c)	Sri Lanka	Aitken Spence Hotel Holdings PLC	47,455,750	36.62	27.96	72.04
		Aitken Spence Hotels Ltd	432,459	0.33		
		Heritance (Pvt) Ltd	432,444	0.33		
		Kandalama Hotels (Pvt) Ltd	306,450	0.24		
Ace Aviation Myanmar Ltd	Myanmar	Aitken Spence Cargo (Pvt) Ltd	1,525,000	33.33	33.33	66.67

Principal activities of the Group's interest in associates are described on pages 413 to 415.

a,b,c - refer note 40

NOTES TO THE FINANCIAL STATEMENTS

22 Deferred tax assets

ACCOUNTING POLICY

Refer note 12.

22.1 Movement during the year

	GROUP		COMPANY	
For the year	2022/2023 Rs.'000	2021/2022 Rs.'000	2022/2023 Rs.'000	2021/2022 Rs.'000
Balance as at 01st April	1,336,394	1,196,477	647,131	351,859
Companies acquired during the year	(4,877)	-	-	-
Exchange difference	68,159	315,047	-	-
Reversal of temporary differences				
Recognised in profit / (loss)	677,095	(163,155)	(11,224)	302,228
Recognised in other comprehensive income	(457,457)	(11,975)	4,095	(6,956)
Balance as at 31st March	1,619,314	1,336,394	640,002	647,131

22.2 Composition of deferred tax assets

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Deferred tax assets attributable to;				
Defined benefit obligations	192,404	52,320	31,971	21,031
Tax losses carried forward	1,974,642	1,475,254	383,755	290,496
Expected credit losses	185,403	48,553	1,789	991
Right-of-use assets	41,176	8,600	-	-
Financial assets at FVOCI	4,340	1,429	4,913	1,402
Unrealised exchange loss	610,538	318,558	228,116	341,379
Accelerated depreciation for tax purposes on property, plant and equipment	(909,993)	(568,320)	(10,542)	(8,168)
Revaluation surplus on freehold land	(470,445)	-	-	-
Other items	(8,751)	-	-	-
Net deferred tax assets	1,619,314	1,336,394	640,002	647,131

22.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2023 Rs.'000	Exchange difference on translation Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Companies acquired during the year Rs.'000	As at 31.03.2022 Rs.'000	Exchange difference Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2021 Rs.'000
Deferred tax assets										
Defined benefit obligations	192,404	110	128,147	11,827	-	52,320	1,155	(60,553)	(16,823)	128,541
Tax losses carried forward	1,974,642	54,071	445,317	-	-	1,475,254	476,162	(449,269)	-	1,448,361
Expected credit losses	185,403	2,202	134,648	-	-	48,553	8,543	(3,618)	-	43,628
Right-of-use assets	41,176	-	30,452	-	2,124	8,600	-	8,243	-	357
Unrealised exchange loss	610,538	-	291,980	-	-	318,558	-	318,558	-	-
Financial assets at FVOCI	4,340	-	-	2,911	-	1,429	-	-	642	787
	3,008,503	56,383	1,030,544	14,738	2,124	1,904,714	485,860	(186,639)	(16,181)	1,621,674
Deferred tax liability										
Accelerated depreciation for tax purposes on property, plant and equipment	(909,993)	11,776	(353,449)	-	-	(568,320)	(170,813)	23,484	-	(420,991)
Revaluation surplus on freehold land	(470,445)	-	-	(470,445)	-	-	-	-	4,206	(4,206)
Other items	(8,751)	-	-	(1,750)	(7,001)	-	-	-	-	-
	(1,389,189)	11,776	(353,449)	(472,195)	(7,001)	(568,320)	(170,813)	23,484	4,206	(425,197)
Net deferred tax assets	1,619,314	68,159	677,095	(457,457)	(4,877)	1,336,394	315,047	(163,155)	(11,975)	1,196,477

22.4 Movement in tax effect of temporary differences - Company

	As at 31.03.2023 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 31.03.2022 Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 01.04.2021 Rs.'000
Deferred tax assets							
Defined benefit obligations	31,971	10,356	584	21,031	4,534	(7,224)	23,721
Tax losses carried forward	383,755	93,259	-	290,496	(37,351)	-	327,847
Unrealised exchange loss	228,116	(113,263)	-	341,379	341,379	-	-
Expected credit losses	1,789	798	-	991	(2,101)	-	3,092
Financial assets at FVOCI	4,913	-	3,511	1,402	-	268	1,134
	650,544	(8,850)	4,095	655,299	306,461	(6,956)	355,794
Deferred tax liability							
Accelerated depreciation for tax purposes on property, plant and equipment	(10,542)	(2,374)	-	(8,168)	(4,233)	-	(3,935)
	(10,542)	(2,374)	-	(8,168)	(4,233)	-	(3,935)
Net deferred tax assets	640,002	(11,224)	4,095	647,131	302,228	(6,956)	351,859

NOTES TO THE FINANCIAL STATEMENTS

23 Other financial assets - non-current

ACCOUNTING POLICY

Refer note 37.

23.1 Unquoted equity and debt securities

As at	Notes	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
Financial assets at fair value through OCI					
- Unquoted equity securities	23.1.1	302,551	276,026	11,879	14,236
Financial assets at amortised cost					
- Unquoted debt securities	23.1.2	78,227	66,259	4,292	6,341
- Amounts due from equity-accounted investees		725,524	-	-	-
Carrying amount as at 31st March		1,106,302	342,285	16,171	20,577
Current unquoted equity and debt securities	23.1.2	(78,227)	(27,926)	(4,292)	(6,341)
Non-current unquoted equity and debt securities		1,028,075	314,359	11,879	14,236

23.1.1 Unquoted equity securities

	GROUP No. of shares as at 31.03.2023	GROUP As at 31.03.2023 Rs.'000	GROUP As at 31.03.2022 Rs.'000	COMPANY No. of shares as at 31.03.2023	COMPANY As at 31.03.2023 Rs.'000	COMPANY As at 31.03.2022 Rs.'000
Rainforest Ecolodge (Pvt) Ltd (Ordinary shares)	3,500,000	35,000	35,000	3,500,000	35,000	35,000
Business Process Outsourcing LLC (Ordinary shares)	30,000	8,640	8,640	30,000	8,640	8,640
Floatels India (Pvt) Ltd (Ordinary shares)	716,037	84,128	84,128	-	-	-
SLFFA Cargo Services Ltd (Ordinary shares)	1,243,000	3,223	3,223	-	-	-
Ingrin Institute of Printing & Graphics Sri Lanka Ltd (Ordinary shares)	10,000	100	100	-	-	-
		131,091	131,091		43,640	43,640
Change in fair value of investments		(16,906)	(15,727)		(31,761)	(29,404)
Exchange difference		188,366	160,662		-	-
Carrying amount		302,551	276,026		11,879	14,236

The Group designated the investments shown above as equity securities, which represents investments that the Group intends to hold as long term strategic investments. There were no such strategic investments disposed or transfers of any cumulative gains or losses within equity by the Group relating to these investments during the financial year 2022/2023.

23.1.2 Unquoted debt securities

As at	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
Sumiko Lanka Hotels (Pvt) Ltd (Redeemable Debentures)	78,227	69,623	4,292	6,341
Impairment of unquoted debt securities	-	(3,364)	-	-
	78,227	66,259	4,292	6,341
Current unquoted debt securities	(78,227)	(27,926)	(4,292)	(6,341)
Non-current unquoted debt securities	-	38,333	-	-

Valuation technique and interest rate basis used for the valuation of unquoted debt securities are disclosed in note 36.3.2.

23.2 Movement during the year

	GROUP					COMPANY			
	Unquoted equity securities Rs.'000	Unquoted debt securities Rs.'000	Amounts due from equity-accounted investees Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000	Unquoted equity securities Rs.'000	Unquoted debt securities Rs.'000	Total 2022/2023 Rs.'000	Total 2021/2022 Rs.'000
Balance as at 01st April	276,026	66,259	-	342,285	832,597	14,236	6,341	20,577	25,981
Exchange difference	27,704	-	-	27,704	78,341	-	-	-	-
Additions	-	-	-	-	2,400	-	-	-	-
Disposals / settlements	-	(3,626)		(3,626)	(3,649)	-	(3,627)	(3,627)	(3,386)
Interest accrued	-	12,230		12,230	5,880	-	1,578	1,578	669
Impairment (losses) / reversals	-	3,364		3,364	(47)	-	-	-	-
Transfer from /(to) current assets	-	(78,227)	725,524	647,297	(595,651)	-	(4,292)	(4,292)	(6,341)
Change in fair value	(1,179)	-	-	(1,179)	(5,512)	(2,357)	-	(2,357)	(2,687)
Balance as at 31st March	302,551	-	725,524	1,028,075	314,359	11,879	-	11,879	14,236

24 Inventories

ACCOUNTING POLICY

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is valued based on a weighted average cost. The cost includes expenditure incurred in acquiring the inventory and bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses based on normal operating capacity.

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Raw materials	1,621,919	1,168,469	-	-
Work-in-progress and finished goods	1,190,763	587,278	-	-
Consumables	2,645,007	2,279,646	6,828	7,379
	5,457,689	4,035,393	6,828	7,379
Provision for impairment of inventories (note 24.1)	(183,497)	(176,699)	-	(424)
	5,274,192	3,858,694	6,828	6,955

None of the inventories are pledged as security for facilities obtained by the Group or Company from banks as at 31st March 2023. (Group and Company 2021/2022-nil).

24.1 Movement in provision for impairment of inventories

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000	COMPANY 2022/2023 Rs.'000	COMPANY 2021/2022 Rs.'000
Balance as at 01st April	176,699	176,163	424	-
Exchange difference	273	1,198	-	-
Impairment losses / (reversals) during the period	6,973	(662)	24	424
Written-off during the period	(448)	-	(448)	
Balance as at 31st March	183,497	176,699	-	424

During the year the Group increase its provision made against the inventory by Rs. 7.0 million after re-assessing the net realisable value of the inventory as at 31st March 2023. The above charge is recognised in the income statement under depreciation, amortisation and impairment (losses) / reversals of non-financial assets.

25 Trade and other receivables

As at	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
Trade receivables	17,601,591	14,112,665	1,447	2,693
Other receivables	3,528,832	5,851,440	525,867	409,600
Contract assets	536,367	576,937	-	-
Amounts due from subsidiaries	-	-	5,787,672	4,488,397
Amounts due from equity-accounted investees	552,907	1,016,860	178,162	159,332
Loans to employees	35,611	9,648	-	48
	22,255,308	21,567,550	6,493,148	5,060,070
Provision for impairment of trade and other receivables (notes 37.3.3.2.2 and 37.3.3.2.4)	(1,011,779)	(431,722)	(737,024)	(444,707)
	21,243,529	21,135,828	5,756,124	4,615,363

Note 37.3.3.3 provides an age analysis of trade receivables and a description of the calculation of expected credit loss allowance.

25.1 Movement of loans above Rs. 20,000/- given to executive staff

As at	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
Balance as at 01st April	48	278
Recoveries during the period	(48)	(230)
Balance as at 31st March	-	48

25.2 Currency-wise analysis of trade and other receivables

As at	GROUP		COMPANY	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Sri Lankan Rupees	13,723,141	15,274,918	5,296,951	4,193,960
United States Dollars	7,241,996	5,581,486	459,173	421,403
Omani Riyal	81,779	88,168	-	-
Fijian Dollar	75,962	35,314	-	-
Other	120,651	155,942	-	-
	21,243,529	21,135,828	5,756,124	4,615,363

26 Other current assets

As at	Notes	GROUP		COMPANY	
		31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Other financial assets	26.1	26,506,693	24,544,888	20,546,443	19,524,210
Property, plant and equipment	15.1	565,404	582,910	-	-
Right-of-use asset	19.1	995	592	-	-
		27,073,092	25,128,390	20,546,443	19,524,210

26.1 Other financial assets - current

ACCOUNTING POLICY

Refer note 37.

As at	Notes	GROUP		COMPANY	
		31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Financial assets at fair value through profit or loss					
- Quoted equity securities	26.1.1	46,529	47,906	25,702	23,610
Financial assets at amortised cost					
- Unquoted debt securities	23.1.2	78,227	27,926	4,292	6,341
- Bank deposits	26.1.2	26,384,521	24,469,660	20,518,820	19,494,798
Provision for impairment of bank deposits (notes 37.3.3.2.2 and 37.3.3.2.4)		(2,584)	(604)	(2,371)	(539)
		26,506,693	24,544,888	20,546,443	19,524,210

26.1.1 Quoted equity securities

	GROUP			COMPANY		
As at	No. of shares as at 31.03.2023	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000	No. of shares as at 31.03.2023	As at 31.03.2023 Rs.'000	As at 31.03.2022 Rs.'000
Commercial Bank of Ceylon PLC (Ordinary shares)	345,046	33,789	32,792	345,046	33,789	32,792
DFCC Bank PLC (Ordinary shares)	28,741	611	564	28,741	611	564
Hatton National Bank PLC (Ordinary shares)	226,315	4,060	4,060	-	-	-
Colombo Dockyard PLC (Ordinary shares)	13,543	123	123	-	-	-
		38,583	37,539		34,400	33,356
Change in fair value of investments		7,946	10,367		(8,698)	(9,746)
Carrying amount		46,529	47,906		25,702	23,610

26.1.2 Bank deposits

Bank deposits include fixed and call deposits which are measured at amortised cost using the effective interest rate. These financial assets are expected to be recovered through contractual cash flows.

27 Cash and cash equivalents

ACCOUNTING POLICY

Cash and cash equivalents comprise of short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

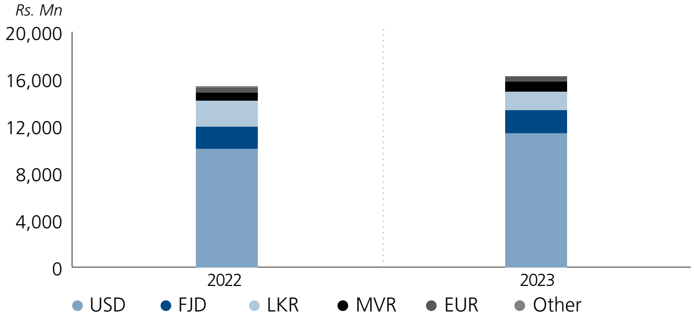
	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Cash at bank and in hand	12,653,790	13,183,650	2,854,502	3,118,573
Short-term deposits	3,561,725	2,159,896	173,884	612,269
Cash and short-term deposits in the statement of financial position	16,215,515	15,343,546	3,028,386	3,730,842
Bank overdrafts and other short-term borrowings	(22,791,252)	(9,617,003)	(10,406,913)	(2,881,302)
Cash and cash equivalents in the statement of cash flows	(6,575,737)	5,726,543	(7,378,527)	849,540

The credit risk relating to Group bank balances are analysed according to credit ratings of each bank which is available on note 37.3.3.4.

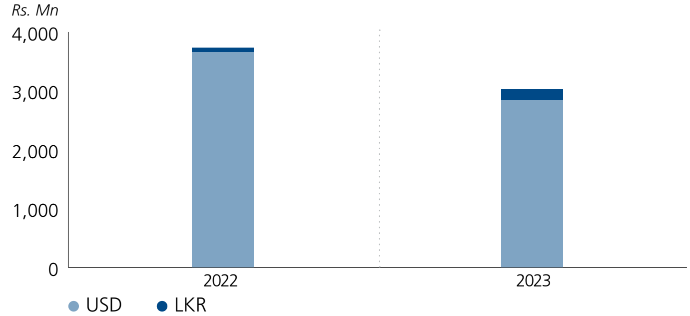
27.1 Currency-wise analysis of cash and cash equivalents

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Sri Lankan Rupees	(14,048,521)	(2,926,352)	(10,219,320)	(2,804,359)
United States Dollars	6,279,939	7,691,704	2,840,793	3,653,899
Maldivian Rufiyaa	852,825	652,671	-	-
Fiji Dollar	1,962,393	1,859,618	-	-
Others	(1,622,373)	(1,551,098)	-	-
	(6,575,737)	5,726,543	(7,378,527)	849,540

Currency-wise analysis of cash and cash equivalents - Group



Currency-wise analysis of cash and cash equivalents - Company



28 Assets classified as held for sale

ACCOUNTING POLICY

Non-current assets that are expected to be recovered primarily through a disposal rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on the above assets is first allocated to goodwill and then to the remaining assets and liabilities on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which are continued to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity- accounted investee is no longer accounted.

Consequent to the decision made by the Group to divest from the ship owning business in 2007/2008 and the sale of ships by the Group's ship owning companies, the Group recognised the fair values of the investments in Ceyaki Shipping (Pvt) Ltd and Ceyspence (Pvt) Ltd under assets classified as held for sale. Further, the fair values of the Group's investment in Spence International (Pvt) Ltd., Aitken Spence Overseas Travel Services (Pvt) Ltd and Western Power Holdings (Pvt) Ltd are also treated under assets classified as held for sale upon the decision made to liquidate these companies. The decision to liquidate Aitken Spence Overseas Travel Services (Pvt) Ltd and Western Power Holdings (Pvt) Ltd were made during the current financial year. The liquidation of these companies are not yet concluded.

During the period under review subsidiary company Ace Resorts (Pvt) Ltd., disposed its leasehold rights of the Raafushi Island which was previously included under assets classified as held for sale.

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Share of net assets of equity-accounted investees classified as held for sale	149,125	149,125	57,237	57,237
Net current assets of group companies classified as held for sale	20,298	15,000	15,000	15,000
Carrying amount of the leasehold rights classified as held for sale	-	1,586,969	-	-
	169,423	1,751,094	72,237	72,237

There were no discontinued operations recognised in the income statement during the year.

29 Stated capital and reserves

29.1 Stated capital

As at	31.03.2023	31.03.2022
Stated capital (Rs.'000)	2,135,140	2,135,140
No. of shares	405,996,045	405,996,045

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

29.2 Reserves

Revaluation reserve

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

General reserve

General reserve reflects the amount the Group has reserved over the years from its earnings.

Exchange fluctuation reserve

Exchange fluctuation reserve comprises of all foreign exchange differences arising from the translation of foreign subsidiaries in the Group.

Other capital reserves

This represents the portion of the stated capital of subsidiaries attributable to the Group.

Fair value reserve

This represents the cumulative net change in the fair value of equity securities designated at fair value through OCI.

Cash flow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

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

29.3 Other comprehensive income accumulated in reserves

29.3.1 Group

	Attributable to equity holders of the company							
	Revaluation reserve	Exchange fluctuation reserve	Fair value reserve	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2023								
Revaluation of freehold land	3,335,071	-	-	-	-	3,335,071	231,714	3,566,785
Actuarial gains on defined benefit obligations	-	-	-	-	(40,200)	(40,200)	(11,094)	(51,294)
Exchange differences on translation of foreign operations	-	1,930,421	-	-	-	1,930,421	840,385	2,770,806
Equity investments at FVOCI – net change in fair value	-	-	(1,179)	-	-	(1,179)	-	(1,179)
Net movement on cash flow hedges	-	-	-	(186,726)	-	(186,726)	(231,062)	(417,788)
Share of other comprehensive income of equity-accounted investees (net of tax)	53,443	168,399	-	-	891	222,733	(2,033)	220,700
Income tax on other comprehensive income	(1,669,029)	-	3,026	-	11,852	(1,654,151)	(205,056)	(1,859,207)
Total	**1,719,485**	**2,098,820**	**1,847**	**(186,726)**	**(27,457)**	**3,605,969**	**622,854**	**4,228,823**
For the year ended 31st March 2022								
Revaluation of freehold land	804,737	-	-	-	-	804,737	145,733	950,470
Actuarial losses on defined benefit obligations	-	-	-	-	227,222	227,222	60,351	287,573
Exchange differences on translation of foreign operations	-	5,331,693	-	-	-	5,331,693	2,617,521	7,949,214
Equity investments at FVOCI – net change in fair value	-	-	(5,512)	-	-	(5,512)	-	(5,512)
Net movement on cash flow hedges	-	-	-	(1,213,648)	-	(1,213,648)	(1,501,814)	(2,715,462)
Share of other comprehensive income of equity-accounted investees (net of tax)	3,916	1,057,476	-	-	12,883	1,074,275	1,488	1,075,763
Income tax on other comprehensive income	-	-	551	-	(39,581)	(39,030)	(9,201)	(48,231)
Total	808,653	6,389,169	(4,961)	(1,213,648)	200,524	6,179,737	1,314,078	7,493,815

29.3.2 Company

	Fair value reserve	Retained earnings	Total equity
	Rs.'000	Rs.'000	Rs.'000
For the year ended 31st March 2023			
Actuarial gains on defined benefit obligations	-	(1,943)	(1,943)
Equity investments at FVOCI – net change in fair value	(2,357)	-	(2,357)
Income tax on other comprehensive income	3,512	583	4,095
Total	**1,155**	**(1,360)**	**(205)**
For the year ended 31st March 2022			
Actuarial losses on defined benefit obligations	-	30,103	30,103
Equity investments at FVOCI – net change in fair value	(2,687)	-	(2,687)
Income tax on other comprehensive income	269	(7,225)	(6,956)
Total	(2,418)	22,878	20,460

30 Interest-bearing loans and borrowings

30.1 Movement during the year

	GROUP		COMPANY	
For the year	2022/2023 Rs.'000	2021/2022 Rs.'000	2022/2023 Rs.'000	2021/2022 Rs.'000
Loan Capital				
Balance as at 01st April	57,701,383	42,913,368	5,157,485	3,935,592
Exchange difference	5,606,647	14,739,034	686,186	1,516,922
Companies acquired during the year	996,235	555,228	-	-
New loans obtained	321,921	1,217,750	-	1,003,750
Interest expense capitalised	1,132,438	629,538	-	-
Capital repayment	(9,457,668)	(2,368,915)	(1,914,753)	(1,306,500)
Transaction cost	13,734	15,380	6,044	7,721
	56,314,690	57,701,383	3,934,962	5,157,485
Loan Interest				
Balance as at 01st April	250,587	111,903	27,755	25,794
Exchange difference	24,987	51,789	-	-
Interest expense				
- Charged to the income statement	6,288,625	2,296,338	333,928	180,084
- Capitalised under property, plant and equipment	-	-	-	-
- Capitalised as new loans	(1,132,438)	(629,538)	-	-
Interest paid	(5,178,973)	(1,579,905)	(309,585)	(178,123)
	252,788	250,587	52,098	27,755
Balance as at 31st March	56,567,478	57,951,970	3,987,060	5,185,240
Current portion of interest-bearing liabilities	(9,618,620)	(8,677,206)	(1,373,604)	(1,666,706)
Non-current portion of interest-bearing liabilities	46,948,858	49,274,764	2,613,456	3,518,534

30.2 Analysed by capital repayment

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Payable within 1 year	9,618,620	8,677,206	1,373,604	1,666,706
Payable within 1 - 2 years	8,818,596	7,456,795	1,305,883	1,171,158
Payable within 2 - 5 years	25,665,080	26,771,281	1,307,573	2,347,376
Payable after 5 years	12,465,182	15,046,688	-	-
	56,567,478	57,951,970	3,987,060	5,185,240

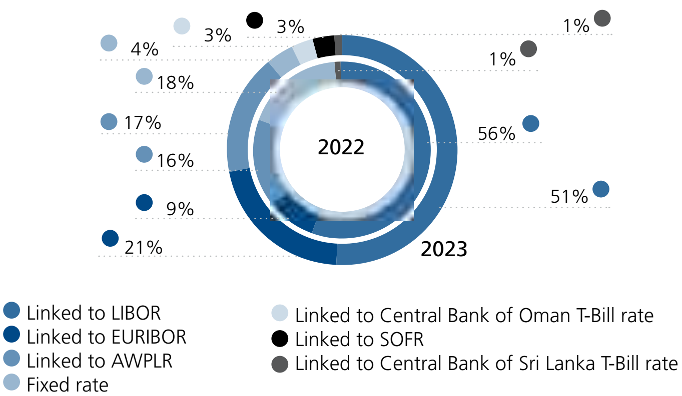
30.3 Analysed by interest rate

As at	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000	COMPANY 31.03.2023 Rs.'000	COMPANY 31.03.2022 Rs.'000
Linked to LIBOR	28,748,534	32,290,090	3,995,086	4,739,218
Linked to EURIBOR	11,994,119	5,356,876	-	-
Linked to AWPLR	9,475,399	9,290,451	-	-
Fixed rate	2,266,945	10,184,745	-	460,092
Linked to Central Bank of Oman T-Bill rate	1,865,541	-	-	
Linked to SOFR	1,570,892	-	-	
Linked to Central Bank of Sri Lanka T-Bill rate	665,075	860,071	-	-
Transaction cost to be amortised	(19,027)	(30,263)	(8,026)	(14,070)
	56,567,478	57,951,970	3,987,060	5,185,240

30.4 Analysed by currency equivalent in Rupees

As at	GROUP 31.03.2023 %	GROUP 31.03.2023 Rs. Equivalent Rs.'000	GROUP 31.03.2022 Rs. Equivalent Rs.'000	COMPANY 31.03.2023 %	COMPANY 31.03.2023 Rs. Equivalent Rs.'000	COMPANY 31.03.2022 Rs. Equivalent Rs.'000
United States Dollars	55	31,118,185	33,638,725	100	3,995,086	4,739,219
Euro	21	11,994,119	11,447,746	-	-	-
Sri Lankan Rupees	21	11,608,660	10,937,249	-	-	460,091
Omani Riyal	3	1,865,541	1,958,513	-	-	-
Transaction cost to be amortised		(19,027)	(30,263)		(8,026)	(14,070)
	100	56,567,478	57,951,970	100	3,987,060	5,185,240

Analysed by interest rate - Group



Analysed by interest rate - Company

30.5 Detailed analysis of Interest-bearing loans and borrowings

Loan No.	Currency	Linked interest rate basis	Collaterals *	Repayment terms	Maturity	LKR equivalent as at 31.03.2023 Rs.'000	LKR equivalent as at 31.03.2022 Rs.'000
Tourism Sector							
Hatton National Bank							
1	USD	LIBOR	■	Repayment commenced. Monthly instalments.	Mar-30	10,757,938	10,511,184
2	USD	LIBOR	▣ ■	Repayment commenced. Monthly instalments.	Mar-26	1,615,826	1,887,959
3	USD	Fixed rate	●	60 Monthly instalments starting Aug-2024.	Jul-31	290,646	-
4	USD	Fixed rate	■	Repayment commenced. Monthly instalments.	Sep-23	155,354	808,485
5	USD	LIBOR	▣	Repayment commenced. Monthly instalments.	Apr-23	40,893	477,555
6	LKR	Fixed rate	None	Repayment commenced. Monthly instalments.	Sep-23	36,540	67,000
7	USD	LIBOR	▣	Repayment commenced. Monthly instalments.	Nov-24	33,628	46,824
8	LKR	Fixed rate	None	Repayment commenced. Monthly instalments.	Sep-23	10,870	25,000
9	LKR	Fixed rate	None	Repayment commenced. Monthly instalments.	Sep-23	5,425	12,400
10	LKR	Fixed rate	None	Repayment commenced. Monthly instalments.	Oct-23	2,060	4,713
11	LKR	Fixed rate	None	Repayment commenced. Monthly instalments.	Oct-23	1,091	2,508
12	USD	LIBOR	▣ ■	Fully settled during the financial year.	Oct-22	-	89,397
DFCC Bank							
1	USD	LIBOR	▣ ■	Repayment commenced. Monthly instalments.	Mar-30	7,910,936	7,729,044
2	LKR	AWPLR	▣	71 Monthly instalments starting Nov-2023.	Oct-29	542,097	566,098
3	LKR	AWPLR	▣	71 Monthly instalments starting Nov-2023.	Oct-29	467,160	270,902
4	USD	Fixed rate	▣ ■	Fully settled during the financial year.	Jun-22	-	540,150
5	LKR	Fixed rate	▣	Fully settled during the financial year.	Feb-23	-	14,609
Hongkong and Shanghai Banking Corporation							
1	EUR	EURIBOR	▣ ❖	Repayment commenced. Monthly instalments and 75% final balloon payment.	Apr-25	5,704,697	5,843,487
2	OMR	CBO T-Bill rate	▣ ❖	20 Quarterly instalments starting Aug-2023.	May-28	1,865,541	1,958,513
3	USD	SOFR	▣ ❖	Bullet repayment at maturity.	Mar-26	1,570,892	1,499,674
4	EUR	EURIBOR	▣	Repayment commenced. Monthly instalments and 75% final balloon payment.	Jul-24	639,767	-
5	EUR	EURIBOR	▣	Restructured during the financial year.	Jul-22	-	247,383
6	USD	SOFR	▣	Fully settled during the financial year.	Dec-22	-	233,018
People's Bank							
1	USD	LIBOR	▣	Repayment commenced. Quarterly instalments.	Oct-26	3,780,839	4,911,493
2	USD	LIBOR	▣	Repayment commenced. Monthly instalments.	Nov-24	613,388	-
3	USD	Fixed rate	▣	Repayment commenced. Monthly instalments.	Nov-24	352,759	-
4	USD	LIBOR	▣	Fully settled during the financial year.	Mar-23	-	161,254
ABANCA Corporación Bancaria							
1	EUR	EURIBOR	▣	Repayment commenced. Quarterly instalments and 72% final bullet repayment at maturity.	Apr-25	5,649,655	5,334,356
Habib Bank							
1	LKR	CBSL T-Bill rate	▣	Repayment commenced. Quarterly instalments.	Mar-26	665,075	581,011
2	LKR	AWPLR	▣	Restructured during the financial year.	Jul-22	-	134,200
3	LKR	CBSL T-Bill rate	▣	Restructured during the financial year.	Jul-22	-	8,158

Loan No.	Currency	Linked interest rate basis	Collaterals *	Repayment terms	Maturity	LKR equivalent as at 31.03.2023 Rs.'000	31.03.2022 Rs.'000
Sampath Bank							
1	LKR	Fixed rate	▣	Repayment commenced. Monthly instalments.	Nov-23	881	2,202
Transaction cost to be amortised						(11,001)	(16,193)
						42,702,957	43,952,384
Strategic Investments							
Hatton National Bank							
1	LKR	AWPLR	❖ ■ ● ★	29 Quarterly instalments starting Jun-2023.	Jun-29	1,754,321	1,771,967
2	LKR	AWPLR	❖ ■ ★	Repayment commenced. Monthly instalments.	Jun-27	255,124	-
3	LKR	Fixed rate	❖ ■ ● ★	12 Monthly instalments starting May-2023.	May-24	174,838	-
4	LKR	AWPLR	None	24 Quarterly instalments starting May-2023.	Jul-29	65,386	64,556
DFCC Bank							
1	LKR	AWPLR	❖ ■ ● ★	29 Quarterly instalments starting Jun-2023.	Jun-29	1,754,322	1,832,464
2	LKR	Fixed rate	❖ ■ ★	Repayment commenced. Monthly instalments.	Sep-26	331,118	-
3	LKR	Fixed rate	❖ ■ ● ★	12 Monthly instalments starting May-2023.	May-24	174,838	-
4	LKR	68% - Fixed rate & 32% - AWPLR	❖ ★ ●	Repayment commenced. Monthly instalments.	Aug-25	156,712	209,022
5	LKR	AWPLR	❖ ★ ●	Repayment commenced. Monthly instalments.	Jan-26	30,298	41,894
6	LKR	AWPLR	❖ ★	Fully settled during the financial year.	Mar-23	-	45,580
7	LKR	AWPLR	❖ ★	Fully settled during the financial year.	Mar-23	-	24,551
8	LKR	AWPLR	▣	Fully settled during the financial year.	Sep-22	-	11,059
9	USD	LIBOR	❖	Fully settled during the financial year.	Jun-22	-	3,470
Hongkong and Shanghai Banking Corporation							
1	EUR	EURIBOR	❖	Fully settled during the financial year.	Sep-22	-	22,520
People's Bank							
1	LKR	AWPLR	❖ ■ ● ★	29 Quarterly instalments starting Jun-2023.	Jun-29	2,631,481	2,748,541
2	LKR	Fixed rate	❖ ■ ● ★	12 Monthly instalments starting May-2023.	May-24	262,257	-
DEG - German Investment Corporation							
1	USD	LIBOR	None	Repayment commenced. Semi-annual instalments.	Jan-26	3,995,086	4,739,218
Bank of Ceylon							
1	LKR	AWPLR	❖ ■ ● ★	29 Quarterly instalments starting Jun-2023.	Jun-29	1,756,025	1,833,300
2	LKR	Fixed rate	❖ ■ ● ★	12 Monthly instalments starting May-2023.	May-24	174,838	-
3	LKR	Fixed rate	None	Fully settled during the financial year.	Feb-23	-	460,091
Commercial Bank of Ceylon							
1	LKR	76% - Fixed rate & 24% - AWPLR	❖ ■ ★	Repayment commenced. Monthly instalments.	Oct-26	245,877	-
2	LKR	Fixed rate	▣	Fully settled during the financial year.	Jul-22	-	5,559
MCB Bank							
1	LKR	AWPLR	❖	Repayment commenced. Monthly instalments.	Aug-23	10,426	44,080

NOTES TO THE FINANCIAL STATEMENTS

Loan No.	Currency	Linked interest rate basis	Collaterals *	Repayment terms	Maturity	LKR equivalent as at 31.03.2023 Rs.'000	31.03.2022 Rs.'000
Seylan Bank							
1	LKR	Fixed rate	None	Fully settled during the financial year.	Sep-22	-	4,992
Transaction cost to be amortised						(8,026)	(14,070)
						13,764,921	13,848,794
Services Sector							
Hatton National Bank							
1	LKR	AWPLR	None	Repayment commenced. Monthly instalments.	May-25	99,600	150,792
						56,567,478	57,951,970

* Collaterals provided for loans

Instrument/Assets	31.03.2023 Pledged value Rs.'000	31.03.2023 Exposure Rs.'000	31.03.2022 Pledged value Rs.'000	31.03.2022 Exposure Rs.'000
❖ Property, plant and equipment	34,988,348	9,713,095	28,972,465	8,666,439
■ Right-of-use assets	4,766,755	4,346,233	7,649,350	4,439,224
● Current assets	467,359	290,646	2,248,249	-
★ Shares	4,830,695	-	4,281,521	-
▣ Corporate Guarantees**	28,662,399	28,662,399	31,924,705	31,924,705
	73,715,556	43,012,373	75,076,290	45,030,368

**Outstanding exposure as at reporting date has been stated as the pledged value.

31 Lease liabilities

ACCOUNTING POLICY

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

» fixed payments, including in-substance fixed payments.
» variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
» amounts expected to be payable under a residual value guarantee.
» the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimation of the amount expected to be payable under a residual value guarantee, if there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option, or if there is a revision in the in-substance fixed lease payment.

If the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset and it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

After the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

Group as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease, if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies the guidelines given in SLFRS 15 – Revenue from Contracts with Customers, to allocate the consideration in the contract.

The Group regularly reviews the estimated unguaranteed residual values used in calculating the gross investment in the lease. The Group applies the de-recognition and impairment requirements in SLFRS 9 – Financial Instruments to the net investment in the lease.

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31.1 Movement during the year

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000
Balance as at 01st April	17,405,404	13,133,055
Companies acquired during the year	25,827	6,775
Exchange difference	1,938,328	5,584,784
New leases obtained	76,700	106,302
Payment of lease liabilities	(2,973,783)	(2,138,435)
Derecognition on termination of lease	(46,478)	-
Interest expense		-
- Charged to the income statement	1,118,674	710,724
- Capitalised under biological assets	-	2,199
Balance as at 31st March	17,544,672	17,405,404
Current portion of lease liabilities	(1,831,047)	(1,570,210)
Non-current portion of lease liabilities	15,713,625	15,835,194

31.2 Analysed by capital repayment

As at	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000
Payable within 1 year	1,831,047	1,570,210
Payable within 1 - 2 years	1,909,965	1,555,881
Payable within 2 - 5 years	2,835,249	3,594,319
Payable after 5 years	10,968,411	10,684,994
	17,544,672	17,405,404

31.3 Analysed by currency equivalent in Rupees

As at	GROUP 31.03.2023 Equivalent Rs.'000	GROUP 31.03.2022 Equivalent Rs.'000
United States Dollars	15,251,307	14,962,286
Fiji Dollar	2,058,329	2,200,792
Sri Lankan Rupees	235,036	242,326
	17,544,672	17,405,404

32 Deferred tax liabilities

ACCOUNTING POLICY

Refer note 12.

32.1 Movement during the year

For the year	GROUP 2022/2023 Rs.'000	GROUP 2021/2022 Rs.'000
Balance as at 01st April	3,176,142	2,393,061
Companies acquired during the year	-	133,423
Exchange difference	(10,381)	90,736
Origination of temporary differences		
Recognised in profit / (loss)	1,013,728	522,666
Recognised in other comprehensive income	1,401,750	36,256
Balance as at 31st March	5,581,239	3,176,142

32.2 Composition of deferred tax liabilities

As at	GROUP 31.03.2023 Rs.'000	GROUP 31.03.2022 Rs.'000
Deferred tax liabilities attributable to;		
Accelerated depreciation for tax purposes on property, plant and equipment	4,655,581	3,314,055
Revaluation surplus on freehold land	2,382,526	977,314
Unrealised exchange gain	39,487	158,823
Undistributed profits of consolidated entities	166,230	-
Defined benefit obligations	(144,819)	(121,832)
Tax losses carried forward	(1,446,619)	(1,108,115)
Expected credit losses	(50,487)	(15,899)
Right-of-use assets	(19,823)	(27,535)
Financial assets at FVOCI	(21)	93
Other items	(816)	(762)
Net deferred tax liabilities	5,581,239	3,176,142

32.3 Movement in tax effect of temporary differences - Group

	As at 31.03.2023 Rs.'000	Exchange difference on translation Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	As at 31.03.2022 Rs.'000	Exchange difference Rs.'000	Recognised in profit / (loss) Rs.'000	Recognised in other comprehensive income Rs.'000	Acquired during the year Rs.'000	As at 01.04.2021 Rs.'000
Deferred tax liabilities										
Accelerated depreciation for tax purposes on property, plant and equipment	4,655,581	65,637	1,275,889	-	3,314,055	119,291	627,883	-	278,260	2,288,621
Revaluation surplus on freehold land	2,382,526	-	-	1,405,212	977,314	-	-	4,206	-	973,108
Unrealised exchange gain	39,487	-	(119,336)	-	158,823	-	158,823	-	-	-
Undistributed profits of consolidated entities	166,230	-	166,230	-	-	-	-	-	-	-
	7,243,824	65,637	1,322,783	1,405,212	4,450,192	119,291	786,706	4,206	278,260	3,261,729
Deferred tax assets										
Defined benefit obligations	(144,819)	(2,012)	(17,627)	(3,348)	(121,832)	(8,926)	(65,583)	31,959	(766)	(78,516)
Tax losses carried forward	(1,446,619)	(72,547)	(265,957)	-	(1,108,115)	(16,544)	(203,175)	-	(143,998)	(744,398)
Expected credit losses	(50,487)	(835)	(33,753)	-	(15,899)	(545)	10,480	-	-	(25,834)
Right-of-use assets	(19,822)	(569)	8,282	-	(27,535)	(2,301)	(5,762)	-	(73)	(19,399)
Financial assets at FVOCI	(21)	-	-	(114)	93	-	-	91	-	2
Other items	(817)	(55)	-	-	(762)	(239)	-	-	-	(523)
	(1,662,585)	(76,018)	(309,055)	(3,462)	(1,274,050)	(28,555)	(264,040)	32,050	(144,837)	(868,668)
Net deferred tax liabilities	5,581,239	(10,381)	1,013,728	1,401,750	3,176,142	90,736	522,666	36,256	133,423	2,393,061

33 Employee benefits

ACCOUNTING POLICY

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid in cash as ex-gratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.

Defined contribution plan.

A defined contribution plan is a post-employment benefit plan under which an entity pays a fixed employee benefit contribution into a separate entity and will have no further legal or constructive obligations to pay any additional amounts. Obligations for contributions to a defined contribution plan are recognised as an employee benefit expense in the income statement in the periods during which services are rendered by employees.

Provident fund and Employee trust fund – Sri Lanka

For employees in Sri Lanka the Group contributes a sum not less than 12% of the gross emoluments as provident fund benefits and a sum equivalent 3% of the gross emoluments as trust fund benefits.

Pension scheme – Maldives

All Maldivian employees of the Group are members of the retirement pension scheme established in the Maldives. The Group contributes 7% of the pensionable wage of such employees to this scheme

Provident fund – South India

Group companies in South India contribute a sum of 12% of the basic salaries of for local employees and 12% of gross salary for foreign employees as provident fund benefits to the Employee Provident Organisation of India.

Provident fund – Fiji

Group companies in Fiji contribute a sum of 5% (2019/2020 – 10%) of the basic salaries of all employees as provident fund benefits to the Fiji National Provident Fund.

Defined Contribution Funds – Oman

Group companies in Oman contribute a sum of 10.5% of the gross salary + 1% in respect of work related injuries and illness for Omani employees in accordance with Social Security Insurance Law. Further with effect from January 2021, companies in Oman contribute 1 Rial per 100 Rials of gross monthly salary of (or 1% of payment made to) Omani nationals to a social contribution scheme designed to offer job security.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Retiring Gratuity - Sri Lanka

The liability recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. Management's estimate of the defined benefit plan obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of the liability.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that related to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The defined benefit plan is valued by a professionally qualified external actuary.

Provision has been made in the financial statements for retiring gratuities from the first year of service for all employees.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued service.

The liability is not externally funded.

Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income as they occur.

Retiring Gratuity – India

A liability is provided for employees in India based on a valuation made by an independent actuary using unit credit method for payment of gratuity at the rate of 15/26 times the monthly qualifying salary for each year of service.

Retiring Gratuity – Fiji

Retirement benefit liability is recognised for all permanent employees in Fiji based on four months salary plus four weeks pay for every year of service effective from the appointment date until retirement at 60 years. However, in order to be entitled for the gratuity payment, the employees should have completed minimum of 5 years continuous service preceding the date of retirement.

Retiring Gratuity – Oman

Gratuity is provided as per the labour law of Oman due to expatriate employees upon termination of employment which is computed based on half month's basic salary for each year during the first three years of employment and a full month's basic salary for each year of employment thereafter. An employee who has been in employment for less than one year is not entitled to receive gratuity.

33.1 Retirement benefit obligations

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Present value of unfunded obligations	1,306,358	1,102,308	106,567	87,629
Total present value of the obligation	1,306,358	1,102,308	106,567	87,629

33.1.1 Movement during the year

	GROUP		COMPANY	
For the year	2022/2023 Rs.'000	2021/2022 Rs.'000	2022/2023 Rs.'000	2021/2022 Rs.'000
Balance as at 01st April	1,102,308	1,300,212	87,629	98,837
Expenses recognised in profit or loss				
Current service cost	123,397	95,947	11,564	9,404
Past service cost	-	(23,426)	-	5,722
Interest cost	118,988	94,304	11,830	8,105
	242,385	166,825	23,394	23,231
Expenses recognised in other comprehensive income				
Actuarial (gains) / losses arising from;				
- financial assumptions	(20,140)	(251,762)	(5,052)	(27,205)
- demographic assumptions	-	120,548	-	6,750
- experience adjustment	71,434	(156,359)	6,995	(9,648)
	51,294	(287,573)	1,943	(30,103)
Exchange difference	19,186	68,343	-	-
Others				
Benefits paid	(108,815)	(149,001)	(6,399)	(4,336)
Companies acquired during the year	-	3,502	-	-
Balance as at 31st March	1,306,358	1,102,308	106,567	87,629

The provision for retirement benefits obligations for the year is based on the actuarial valuation carried out by professionally qualified actuaries, Messrs. Actuarial & Management Consultants (Pvt) Ltd as at 31st March 2023. The actuarial present value of the promised retirement benefits as at 31st March 2023 amounted to Rs. 1,306,357,767/- (Company - Rs. 106,566,633./-). The liability is not externally funded.

During the last financial year, retirement benefits obligations were adjusted to reflect new legal requirements in the country regarding the retirement age based on the Minimum Retirement Age of Workers Act No. 28 of 2022. As a result of the plan amendment, the Group's retirement benefits obligation decreased by Rs. 23,426,496/- while the retirement benefits obligation of the Company increased by Rs. 5,722,278/-.

33.1.2 Actuarial assumptions

The principal actuarial assumptions used in determining the cost are given below;

Type of assumption	Criteria	Description
» Financial	Discount rate	In the absence of a deep market in long-term bonds in Sri Lanka, a long-term interest rate of 19.5% p.a. (2021/2022 – 13.5% p.a.) has been used to discount future retirement benefit liabilities. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates has been adjusted to remove the risk from the market interest rate in arriving at the discount rate for the purpose of valuing Employee benefit obligations as per LKAS 19.
	Long term salary increments	Based on the actual salary increment rates of the Group over the past few years and the future economic outlook of the country, an increase in the long term salary increment rate is factored into the valuation for the current year. » Executive staff 20.0% in July 2023 with 15.0% p.a. from 2024. (2021/2022 - 11.0% p.a.) » Non Executive and other staff 20.0% in July 2023 with 15.0% p.a. from 2024. (2021/2022 - 8.0% p.a.)
» Demographic	Mortality & Disability	A 1967/70 mortality table, issued by the Institute of Actuaries, London.
	Staff turnover rate	Based on the staff turnover statistics of the Group. Rates of employee turnover at each category which represent the probabilities of the 'event' occurring within one year of the age is as follows.

Age	Executives	Non Executives	Other staff
18-24 years	0.21	0.27	0.80
25-29 years	0.23	0.28	0.57
30-34 years	0.16	0.25	0.44
35-39 years	0.11	0.15	0.34
40-44 years	0.11	0.13	0.32
45-49 years	0.07	0.16	0.27
50-54 years	0.09	0.09	0.27
54 < years	-	-	-

	Retirement age	60 years

It is also assumed that the company will continue in business as a going concern.

33.1.3 Sensitivity analysis

The following table demonstrates the sensitivity to reasonably possible changes at the reporting date in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the liability in the statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the employment benefit obligation for the year.

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Discount rate				
- 1% increase	(46,213)	(41,085)	(5,111)	(4,429)
- 1% decrease	50,368	45,320	5,569	4,899
Long term salary increments				
- 1% increase	53,632	48,505	5,954	5,174
- 1% decrease	(49,866)	(44,666)	(5,536)	(4,750)

33.1.4 Maturity analysis of the payments

The following payments are expected on defined benefit obligations in future years.

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Within next 12 months	205,437	175,992	10,089	8,278
Between 1 - 2 years	269,979	304,771	16,391	29,653
Between 2 - 5 years	372,320	233,257	38,580	14,624
Beyond 5 years	458,622	388,288	41,507	35,074
	1,306,358	1,102,308	106,567	87,629
Weighted average duration (years) of define benefit obligation	5.40	5.50	5.90	5.99

34 Other liabilities - non - current

	GROUP	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Amounts due to equity-accounted investees	418,493	481,452
	418,493	481,452

35 Trade and other payables

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Trade payables	7,295,221	6,162,550	-	-
Contract liabilities	3,550,645	3,073,534	-	-
Accrued payables	2,938,721	2,808,960	116,253	17,610
Other payables	5,889,613	15,154,126	399,453	417,218
Indirect taxes payable	601,555	291,384	16,129	397
Deposits payable	679,357	657,659	-	-
Amounts due to subsidiaries	-	-	5,849,789	12,175,429
Amounts due to equity-accounted investees	1,767,170	1,323,502	1,581,303	1,177,124
Unclaimed dividends	46,364	35,687	46,364	35,687
	22,768,646	29,507,402	8,009,291	13,823,465

Note 37.3.2 -Liquidity risk, provides a repayment analysis of trade and other payable balances.

35.1 Currency-wise analysis of trade and other payables

	GROUP		COMPANY	
As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Sri Lankan Rupees	14,790,996	20,744,824	8,009,291	13,823,465
United States Dollars	5,738,235	6,031,327	-	-
Fijian Dollar	1,139,028	1,395,806	-	-
Omani Riyal	178,988	210,457	-	-
Other	921,399	1,124,988	-	-
	22,768,646	29,507,402	8,009,291	13,823,465

36 Fair value measurement

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Fair value of non-financial assets

The fair value used by the Group in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Group for the asset or liability.

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The fair value of an asset or a liability is measured using the assumptions that market participants would act in their economic best interest when pricing the asset or liability.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

36.1 Fair value measurement hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

36.1.1 Fair value measurement hierarchy - Group

	As at 31st March 2023				As at 31st March 2022			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Recurring fair value measurements								
Assets measured at fair value :								
Property, plant and equipment								
- Freehold land	-	-	23,300,373	23,300,373	-	-	18,886,217	18,886,217
Other financial assets								-
- Unquoted equity securities	-	272,494	30,057	302,551	-	244,790	31,236	276,026
- Quoted equity shares	46,529	-	-	46,529	47,906	-	-	47,906
- Government securities	-	-	-	-	-	-	-	-
	46,529	272,494	23,330,430	23,649,453	47,906	244,790	18,917,453	19,210,149
Assets for which fair values are disclosed :								
Investment property								
- Freehold land & building	-	-	2,631,956	2,631,956	-	-	2,568,104	2,568,104
Other financial assets								-
- Unquoted debt securities	-	78,227	-	78,227	-	66,259	-	66,259
- Government securities	-	-	-	-	-	-	-	-
- Bank deposits	-	26,381,937	-	26,381,937	-	24,469,056	-	24,469,056
	-	26,460,164	2,631,956	29,092,120	-	24,535,315	2,568,104	27,103,419
Liabilities for which fair values are disclosed :								
Interest-bearing liabilities	-	56,567,478	-	56,567,478	-	57,951,970	-	57,951,970
	-	56,567,478	-	56,567,478	-	57,951,970	-	57,951,970
Non-recurring fair value measurements								
Assets classified as held for sale	-	-	169,423	169,423	-	-	1,751,094	1,751,094
	-	-	169,423	169,423	-	-	1,751,094	1,751,094

36.1.2 Fair value measurement hierarchy - Company

	As at 31st March 2023				As at 31st March 2022			
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Total Rs.'000
Recurring fair value measurements								
Assets measured at fair value :								
Other financial assets								
- Unquoted equity securities	-	-	11,879	11,879	-	-	14,236	14,236
- Quoted equity securities	25,702	-	-	25,702	23,610	-	-	23,610
- Government securities	-	-	-	-	-	-	-	-
	25,702	-	11,879	37,581	23,610	-	14,236	37,846
Assets for which fair values are disclosed :								
Investment property								
- Freehold land & building	-	-	7,740,015	7,740,015	-	-	6,519,608	6,519,608
Other financial assets								-
- Unquoted debt securities	-	4,292	-	4,292	-	6,341	-	6,341
- Government securities	-	-	-	-	-	-	-	-
- Bank deposits	-	20,516,449	-	20,516,449	-	19,494,259	-	19,494,259
	-	20,520,741	7,740,015	28,260,756	-	19,500,600	6,519,608	26,020,208
Liabilities for which fair values are disclosed :								
Interest-bearing liabilities	-	3,987,060	-	3,987,060	-	5,185,240	-	5,185,240
	-	3,987,060	-	3,987,060	-	5,185,240	-	5,185,240
Non-recurring fair value measurements								
Assets classified as held for sale	-	-	72,237	72,237	-	-	72,237	72,237
	-	-	72,237	72,237	-	-	72,237	72,237

NOTES TO THE FINANCIAL STATEMENTS

36.2 Reconciliation of fair value measurement of "Level 3" financial instruments

	GROUP		COMPANY
	Unquoted equity securities Rs.'000	Freehold land Rs.'000	Unquoted equity securities Rs.'000
Balance as at 01st April 2021	34,348	12,497,069	16,923
Exchange difference	-	1,948,870	-
Additions during the year	2,400	-	-
Transferred from land carried at cost		3,489,808	
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	(5,512)	-	(2,687)
- Revaluation of freehold land (unrealised)	-	950,470	-
Balance as at 31st March 2022	31,236	18,886,217	14,236
Exchange difference	-	847,371	-
Additions during the year	-	-	-
Transferred from land carried at cost	-	-	-
Total gains and losses recognised in other comprehensive income			
- Net change in fair value (unrealised)	(1,179)	-	(2,357)
- Revaluation of freehold land (unrealised)	-	3,566,785	-
Balance as at 31st March 2023	30,057	23,300,373	11,879

36.2.1 Transfers between levels of fair value hierarchy

There were no transfers between Level 1, Level 2 and Level 3 during the year.

36.3 Valuation techniques and significant unobservable inputs

The following tables summarises the valuation techniques used by the Group and the Company in measuring Level 2 and Level 3 fair values, and the significant unobservable inputs used for the valuation.

36.3.1 Assets and liabilities measured at fair value - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Property, plant and equipment			
» Freehold land	» Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	» Price per perch of land (Refer note 15.3)	Estimated fair value would increase (decrease) if ; » Price per perch increases (decreases).
Other financial assets			
» Unquoted equity securities	» Net assets basis	» Carrying value of assets and liabilities adjusted for market participant assumptions.	Variability of inputs are insignificant to have an impact on fair values.
	» Market return on a comparable investment	» Recent sale price of INR 55/- per share.	Not applicable.

Assets and liabilities	Valuation technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Derivative financial assets / liabilities			
» Forward foreign exchange contracts	» Market comparison technique The fair values are based on quotes from banks and reflect the actual transactions of similar instruments.	» Forward exchange rates as at reporting date.	Not applicable.

36.3.2 Assets and liabilities for which fair values are disclosed - Recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Investment property		
» Freehold land	» Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for difference in size, nature and location of the property.	» Price per perch of land (Refer note 16.3)
Other financial assets		
» Unquoted debt securities	» Discounted cash flows	» Current market interest rates linked to AWPLR.
» Other bank deposits	» Discounted cash flows	» Current market interest rates (Refer note 37.3.3.4 for an analysis of credit rating of other bank deposits).
Interest-bearing liabilities	» Discounted cash flows	» Current market interest rates (Refer note 30.5).

36.3.3 Assets and liabilities measured at fair value - Non-recurring

Assets and liabilities	Valuation technique	Significant unobservable inputs
Assets classified as held for sale	» Valued at the carrying amount prior to the asset being classified as held for sale. » Valued at the cash available with the disposal group held for sale.	Not applicable.

NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments

ACCOUNTING POLICY

A financial instrument is a contract that gives rise to a financial asset in one entity and a financial liability or equity instrument of another entity.

Financial assets

Recognition and initial measurement

Financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument with the exception of "Trade Receivables". The Group initially recognises trade receivables when they are originated.

Financial assets other than trade receivables that do not contain a significant financing component are initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition on issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and measurement

On initial recognition, the Group classifies a financial asset as measured at amortised cost; Fair Value Through Other Comprehensive Income (FVOCI); or Fair Value Through Profit or Loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it is held within a business model where the objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates and the financial asset is not designated as at FVTPL.

A debt investment is measured at FVOCI if it is held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the debt investment is not designated as at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group irrevocably elected to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes equity Investments and derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the financial assets are managed and information is provided to management. The information considered includes:

» the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

» how the performance of the portfolio is evaluated and reported to the Group's management;

» the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

» the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, the Group considers:

» events that would change the amount or timing of cash flows;
» terms that may adjust the contractual coupon rate, including variable-rate features;
» repayment and extension features; and
» terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the sole payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are recycled to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group changes its objective of the business model for managing such financial assets.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transaction whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets, such transferred assets are not derecognised.

Impairment

The Group recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs. Loss allowance for debt instruments is measured and 12-month ECL unless credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) of the debt instrument has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

» Significant financial difficulty of the borrower or issuer.
» For trade receivables, being more than 365 days past due.
» The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
» It is probable that the borrower will enter bankruptcy or other financial reorganisation.
» The disappearance of an active market to a security because of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Financial Liabilities

Recognition and initial measurement

The Group initially recognises financial liabilities other than debt securities when it becomes a party to the contractual provisions of the instrument. The Group recognises debt securities issued when they are originated.

All financial liabilities are initially measured at fair value and, for an item not at Fair Value Through Profit or Loss (FVTPL), are measured net of transaction costs that are directly attributable to its issue.

The Group's financial liabilities comprise of loans and borrowings, refundable rental and other deposits, bank overdrafts, trade and other payables and derivative financial instruments.

Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses and any gain or loss on derecognition of other financial liabilities are recognised in profit or loss.

Reclassification

Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position only when the Group has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Hedge accounting and cash flow hedge

'Hedging' is a process of using a financial instrument to mitigate all or some of the risk associated to a hedged item. 'Hedge accounting' changes the timing of recognising the gains and losses on either the hedged item or the hedging instrument so that both are recognised in profit or loss or other comprehensive income in the same accounting period in order to record the economic substance of the relationship between the hedged item and instrument.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on a prospective basis according to SLFRS 09 – 'Financial Instruments' requirements.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

Cash Flow Hedge

A hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset, liability or a highly probable forecast transaction that could affect the profit or loss is classified as a cash flow hedge.

When a non-derivative financial liability is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the non-derivative financial liability is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the non-derivative financial liability that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the non-derivative financial liability is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting (after taking into account any rebalancing of the hedging relationship) or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of the hedging reserve are immediately reclassified to profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS

37.1 Financial instruments - accounting classifications and fair values

The following tables summarises the carrying and fair values of financial assets and financial liabilities of the Group and the Company.

37.1.1 Accounting classifications and fair values of financial instruments - Group

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost (a) Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000
As at 31st March 2023						
Financial assets						
Trade and other receivables	25	-	-	19,730,952	1,512,577	21,243,529
Deposits and prepayments		-	-	1,294,086	2,971,365	4,265,451
Other financial assets	23 & 26					
- Unquoted equity securities and debt securities		-	302,551	78,227	-	380,778
- Quoted equity securities		46,529	-	-	-	46,529
- Government securities		-	-	-	-	-
- Bank deposits		-	-	26,381,937	-	26,381,937
- Amounts due from equity-accounted investees		-	-	725,524	-	725,524
Cash and short-term deposits	27	-	-	16,215,515	-	16,215,515
		46,529	302,551	64,426,241	4,483,942	69,259,263
Financial liabilities						
Interest-bearing loans and borrowings	30	-	-	56,567,478	-	56,567,478
Lease liabilities	31	-	-	17,544,672	-	17,544,672
Trade and other payables	35	-	-	14,728,755	8,039,891	22,768,646
Bank overdrafts and other short-term borrowings	27	-	-	22,791,252	-	22,791,252
		-	-	111,632,157	8,039,891	119,672,048

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost (a) Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000
As at 31st March 2022						
Financial assets						
Trade and other receivables	25	-	-	19,089,257	2,046,571	21,135,828
Deposits and prepayments		-	-	234,803	1,851,710	2,086,513
Other financial assets	23 & 26					-
- Unquoted equity securities and debt securities		-	276,026	66,259	-	342,285
- Quoted equity securities		47,906	-	-	-	47,906
- Government securities		-	-	-	-	-
- Bank deposits		-	-	24,469,056	-	24,469,056
- Amounts due from equity-accounted investees		-	-	-	-	-
Cash and short-term deposits	27	-	-	15,343,546	-	15,343,546
		47,906	276,026	59,202,921	3,898,281	63,425,134
Financial liabilities						
Interest-bearing loans and borrowings	30	-	-	57,951,970	-	57,951,970
Lease liabilities	31	-	-	17,405,404	-	17,405,404
Trade and other payables	35	-	-	21,000,495	8,506,907	29,507,402
Bank overdrafts and other short-term borrowings	27	-	-	9,617,003	-	9,617,003
		-	-	105,974,872	8,506,907	114,481,779

(a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

37.1.2 Accounting classifications and fair values of financial instruments - Company

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost (a) Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000
As at 31st March 2023						
Financial assets						
Trade and other receivables	25	-	-	5,234,976	521,148	5,756,124
Deposits and prepayments		-	-	1,446	42,588	44,034
Other financial assets	23 & 26					
- Unquoted equity securities and debt securities		-	11,879	4,292	-	16,171
- Quoted equity securities		25,702		-	-	25,702
- Bank deposits		-	-	20,516,449	-	20,516,449
Cash and short-term deposits	27	-	-	3,028,386	-	3,028,386
		25,702	11,879	28,785,549	563,736	29,386,866
Financial liabilities						
Interest-bearing liabilities	30	-	-	3,987,060	-	3,987,060
Trade and other payables	35	-	-	7,466,891	542,400	8,009,291
Bank overdrafts and other short-term borrowings	27	-	-	10,406,913	-	10,406,913
		-	-	21,860,864	542,400	22,403,264

	Notes	Fair value through profit or loss Rs.'000	Fair value through OCI Rs.'000	Amortised cost (a) Rs.'000	Non - financial instruments Rs.'000	Total carrying amount Rs.'000
As at 31st March 2022						
Financial assets						
Trade and other receivables	25	-	-	4,211,007	404,356	4,615,363
Deposits and prepayments		-	-	536	104,424	104,960
Other financial assets	23 & 26					-
- Unquoted equity securities and debt securities		-	14,236	6,341	-	20,577
- Quoted equity securities		23,610	-	-	-	23,610
- Bank deposits		-	-	19,494,259	-	19,494,259
Cash and short-term deposits	27	-	-	3,730,842	-	3,730,842
		23,610	14,236	27,442,985	508,780	27,989,611
Financial liabilities						
Interest-bearing liabilities	30	-	-	5,185,240	-	5,185,240
Trade and other payables	35	-	-	13,383,256	440,209	13,823,465
Bank overdrafts and other short-term borrowings	27	-	-	2,881,302	-	2,881,302
		-	-	21,449,798	440,209	21,890,007

(a) Carrying values of financial assets and financial liabilities are a reasonable approximation of their fair values.

37.2 Cash flow hedge

During 2017/2018 a subsidiary company in the group designated a hedge relationship between its highly probable EURO denominated sales and its foreign currency denominated borrowings.

The risk management objective of this cash flow hedge is to hedge the risk of variation in the foreign currency exchange rates associated with EURO currency denominated forecasted sales.

The risk management strategy is to use the foreign currency variability (gains /losses) arising from the revaluation of foreign currency borrowing due to the changes in spot foreign exchange rates to off-set the variability due to foreign exchange rate movements, on LKR conversion of EURO denominated forecasted sales.

The effective portion of the gain or loss on the hedging instrument is recognised in the Other Comprehensive Income Statement (OCI) and any ineffective portion is recognised immediately in the Income Statement.

The amount recognised in Other Comprehensive Income is transferred to the Income Statement when the hedge transaction occurs (when the forecasted revenue is realised). If the forecasted transaction is no longer expected to occur, the cumulative gain or loss previously recognised in Other Comprehensive Income is transferred to the Income Statement.

Cash flow hedge reserve reflects the effective portion of the gain or loss on the hedging instrument. The cash flow hedging reserve as at 31st March 2023 represents the foreign currency variability arising from the revaluation of foreign currency borrowings due to the changes in spot LKR/EUR exchange rate that is expected be set off from the variability of exchange rates of highly probable EURO denominated sales (namely “All Inclusive” apartment revenue) expected to occur from 1st quarter of 2017/18 up to the tenor of refinanced borrowings.

Hedging instrument - Out of the foreign currency borrowing of EURO 40.0 million in January 2017, EURO 34.1 million is designated for the hedge from April 2017.

Further, the outstanding balance of the borrowing of EURO 32.6 million as at 31st March 2018 was refinanced effective from the 1st quarter of 2018/19 for an extended tenor.

Hedged item - Highly probable EURO denominated sales (Named “All Inclusive” apartment revenue) expected to occur from April 2017 to March 2029.

During the year the effective portion of the hedging instrument being a loss of Rs. 418.0 million (2021/2022 - loss of Rs. 2,715.4 million) was recognised in the other comprehensive income statement (OCI) and the ineffective portion of Rs. 84.3 million (2021/2022 - loss of Rs. 29.0 million) relating to current financial year and future periods were recognised in the income statement under net foreign exchange gain/ (loss) in other operating income.

In respect of the cash flow hedge instrument, Group recognised Rs. 2,316.0 million (2021/2022 - Rs. 2,129.3 million) under cash flow hedge reserve being the Group’s portion of the fair value loss recognised by the subsidiary.

37.3 Financial risk management objectives and policies

Please refer the comprehensive risk management report on pages 91 to 97 of the annual report for a detailed description of the Group's risk management structure, process and procedures.

Financial instruments used by the Group in its business activities contain multiple variables that are affected by various market and environmental conditions. Such variations are generally not within the control of the users, and therefore cause fluctuations in the values of financial instruments. Fluctuations in value could result in a situation undesirable to the Group and expose it to risk. These risks need to be managed, as unmanaged risks can lead to unplanned outcomes where the Group could fall short of its financial and budgetary objectives. The Group has adopted a financial risk management strategy aimed at minimising the risks associated with the use of financial instruments by establishing several policies and guidelines that are followed by the companies in the Group. These policies and guidelines are reviewed from time to time and updated to reflect current requirements in accordance with the developments in the operating environment.

This part of the report covers the financial impact that could arise from market risk, credit risk and liquidity risk, the most important elements of the financial risk that the Group is subject to.

37.3.1. Market risk

Fluctuations of those market driven variables that affect cashflows arising from financial instruments can result in the actual outcome being different to expected cashflows thereby creating the market risk. Variables such as interest rates and exchange rates can move in directions different to those originally expected and the consequent cashflows could be different to the originally anticipated cashflows.

Market risk could result in the revenues and expenses of the Group being adversely affected and impacting the profit attributable to shareholders. In order to identify, manage and minimise the market risk, the Group has put into practice a number of policies and procedures.

37.3.1.1. Currency risk

The currency risk arises when a financial transaction is denominated in a currency other than that of the reporting currency of an entity. The Group has operations in a number of regions across the globe and conducts business in a variety of currencies. The Group's worldwide presence in many geographies exposes it to the currency risk in the form of transaction and translation exposure.

Transaction exposure arises where there are contracted cashflows (receivables and payables) of which the values are subject to unanticipated changes in exchange rates due to contracts being denominated in a foreign currency. Translation exposure occurs due to the fluctuations in foreign exchange rates and arises to the extent to which financial reporting is affected by exchange rate movements when the reporting currency is different to those currencies in which revenues, expenses, assets and liabilities are denominated.

As the Group transacts in many foreign currencies other than the Sri Lankan rupee which is the reporting currency, it is exposed to currency risk on revenue generation, expenses, investments and borrowings. The Group has significant investments in the Maldives, India, Oman and Fiji where the net assets are exposed to foreign currency translation risk. Revenue generations and expenses incurred in foreign currency are exposed to foreign currency transaction risk.

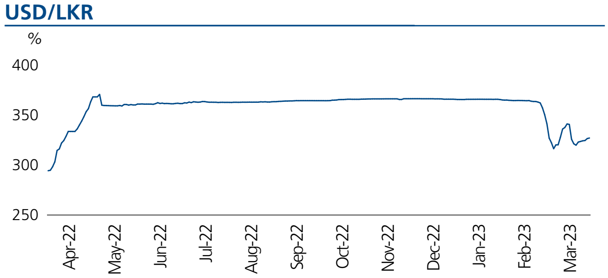
The total interest-bearing liabilities of the Group denominated in US dollar and Euro amounted to Rs. 43.1 billion. The translation exposure resulting from foreign currency borrowings has been hedged to a great extent by the acquisition of financial assets denominated in matching foreign currencies. A significant portion of the foreign currency borrowings have been made by the Group companies with incomes in foreign currencies, especially in the tourism and strategic investments sectors. Transaction exposures are usually minimised by selectively entering into forward contracts when future cashflows can be estimated with reasonable accuracy with regard to amounts as well as timing. The Group treasury monitors foreign exchange markets on a continuous basis and advises on appropriate risk mitigating strategies.

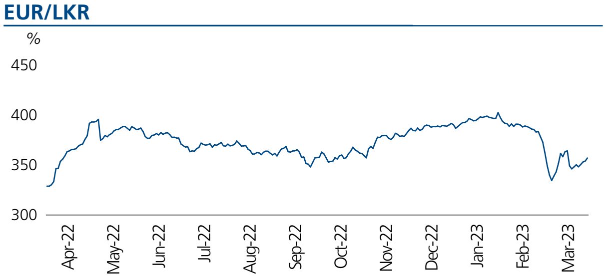
The Group actively evaluates the possibility of employing hedge accounting to mitigate the exposure to currency risk by designating an effective relationship between foreign currency denominated transaction with assets or liabilities. Hedge accounting enables to minimise the timing differences in recognising foreign currency translation impact to the income statement or other comprehensive income statement and to effectively capture the economic substance of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

Significant movement in exchange rates during the year ended 31st March 2023.

	Lowest Level		Highest Level		Spread	Year end rate
	Rate	Date	Rate	Date		
USD/LKR	294.37	01.04.2022	370.86	12.05.2022	76.50	327.14
EUR/LKR	328.85	04.04.2022	402.61	02.02.2023	73.77	357.10





Foreign currency sensitivity

The main foreign currencies the Group transacts in are the US dollar and the Euro. The exposure to other foreign currencies is not considered as they are mostly related to foreign operations. In order to estimate the impact of the currency risk on financial instruments, a reasonable movement in the USD/ LKR and EUR/LKR exchange rates is assumed based on the observable trend in the market.

The exchange rate was relatively stable for most of the financial year but fluctuated during the beginning and end of the financial year and thereafter. To account for these fluctuations, a 15% fluctuation in exchange rate was used for sensitivity analysis. In contrast, last year's exchange rate was more volatile, so a higher rate of fluctuation of 40% was used for that year's sensitivity analysis..

Group

	Effect on profit before tax		Effect on equity
	USD net financial assets / (liabilities) USD '000	EUR net financial assets / (liabilities) EUR '000	USD '000
As at 31st March 2023			
Net exposure	80,496	(32,368)	136,405
LKR depreciates by 15% (Rs. '000)	3,950,009	(1,733,804)	6,693,533
LKR appreciates by 15% (Rs. '000)	(3,950,009)	1,733,804	(6,693,533)
As at 31st March 2022			
Net exposure	72,546	(33,472)	125,685
LKR depreciates by 40% (Rs. '000)	8,527,905	(4,369,833)	14,774,546
LKR appreciates by 40% (Rs. '000)	(8,527,905)	4,369,833	(14,774,546)

The effect on the equity arises from the investments made by the Group in the Maldives, India, Oman, Fiji and Myanmar. We have not accounted for the sensitivity arising in any of the other investments as the Group's exposure to such is not significant.

Company

	Effect on profit before tax USD net financial assets / (liabilities) USD '000
As at 31st March 2023	
Net exposure	56,433
LKR depreciates by 15% (Rs. '000)	2,769,218
LKR depreciates by 15% (Rs. '000)	(2,769,218)
As at 31st March 2022	
Net exposure	51,547
LKR depreciates by 40% (Rs. '000)	6,059,419
LKR appreciates by 40% (Rs. '000)	(6,059,419)

37.3.1.2. Interest rate risk

Values of financial instruments could fluctuate depending on the movements in interest rates giving rise to interest rate risk. This is a consequence of the changes in the present values of future cash flows derived from financial instruments. Value fluctuations in financial instruments will result in mark to market gains or losses in investment portfolios and could have an impact on reported financial results of the Group.

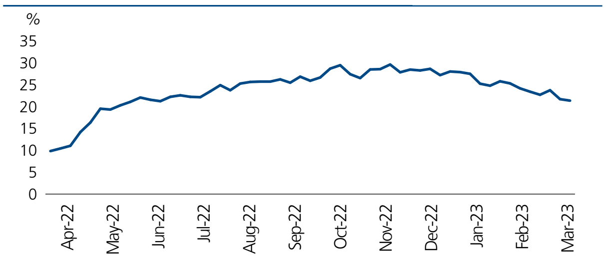
The Group's investment portfolio may consist of a range of financial instruments with both fixed and variable interest rates such as treasury bills and treasury bonds which are subject to interest rate risk. Liabilities with variable interest rates such as AWPLR, LIBOR and SOFR linked borrowings would expose the Group to cashflow risk as the amount of interest paid would change depending on the changes in market interest rates. Investments with fixed interest rates would expose the Group to variations in fair values during the marking to market of portfolios. Suitable strategies are used by the Group treasury to manage the interest rate risks in portfolio investments. The use of long-term interest rate forecasts to determine the most suitable duration of investments with the objective of overcoming the re-investment risk as well as to minimise any adverse impact in marking to market of the portfolio is one of the often used strategies. Interest rate swaps could be used when there is a need to hedge the risks on debt instruments with variable rates. Close monitoring of market trends is carried out to improve the accuracy of such decisions.

The Group treasury monitors the interest rate environment on a continuous basis to advise the sector finance managers on the most suitable strategy with regard to borrowings. The Group usually negotiates long term borrowings during the periods in which interest rates are low in order to extend the favourable impact to future reporting periods.

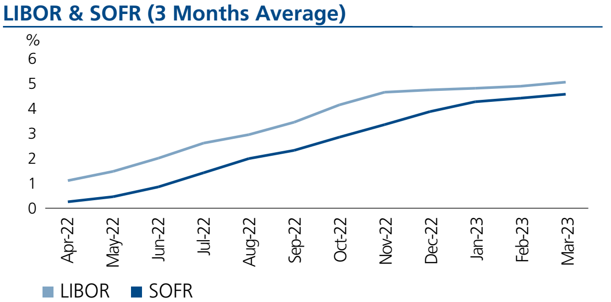
Significant movement in interest rates during the year ended 31st March 2023.

	Lowest Level		Highest Level		Spread	Year end rate
	Rate %	Period	Rate %	Period	(basis points)	%
LKR Interest rate (Weekly AWPLR)	9.85	Apr-22	29.67	Nov-22	1,982	21.40
USD Interest rate - LIBOR (3 months)	0.962	Apr-22	5.193	Mar-23	423	5.193
- SOFR (overnight)	0.260	Apr-22	4.870	Mar-23	461	4.870

AWPLR



LIBOR & SOFR (3 Months Average)



Interest rate sensitivity

At the reporting date the interest rate sensitivity analysis of interest-bearing financial instruments of the Group and Company are given below. This analysis depicts the impact of the probable movement in interest rate on profit before tax with all other variables held constant. Due to the significant volatility in interest rates observed during the financial year and thereafter, a fluctuation of 1,000 basis points is considered for the sensitivity analysis for LKR financial liabilities as at reporting date, compared to a fluctuation of 100 basis points considered in the last financial year. In line with observed trend in the market, sensitivity threshold for USD financial liabilities is also increased to 250 basis points from last year's 25 basis points.

Group

For the year ended 31st March	2023			2022		
	Exposure	Impact on profit before tax		Exposure	Impact on profit before tax	
		LKR interest rates - 1000bp	LKR interest rates + 1000bp		LKR interest rates - 400bp	LKR interest rates + 400bp
LKR financial liabilities (Rs.'000)	10,140,474	1,014,047	(1,014,047)	10,150,522	406,021	(406,021)

For the year ended 31st March	2023			2022		
	Exposure	Impact on profit before tax		Exposure	Impact on profit before tax	
		USD interest rates - 250bp	USD interest rates + 250bp		USD interest rates - 250bp	USD interest rates + 250bp
USD financial liabilities (In equivalent Rs.'000)	30,319,426	757,986	(757,986)	32,290,090	80,725	(80,725)

Company

For the year ended 31st March	2023			2022		
	Exposure	Impact on profit before tax		Exposure	Impact on profit before tax	
		USD interest rates - 250bp	USD interest rates + 250bp		USD interest rates - 250bp	USD interest rates + 250bp
USD financial liabilities (In equivalent Rs.'000)	3,995,086	99,877	(99,877)	4,739,218	11,848	(11,848)

37.3.1.3. Equity price risk

The Group has adopted the policy that its investment in subsidiaries, joint ventures and associate companies are recorded at cost as per LKAS 27 and 28 standards and therefore are scoped out from the Sri Lanka Accounting Standards, SLFRS 9 - Financial Instruments.

Investments made by the Group which do not belong to the above categories are classified as financial assets and recorded at fair value in financial statements.

At the reporting date the carrying values of equity investments are as follows;

» Quoted equity securities: Rs. 46.5 million (as at 31.03.2022; Rs. 47.9 million)

» Unquoted equity securities: Rs. 302.6 million (as at 31.03.2022; Rs. 276 million)

A sensitivity analysis of the above has not been carried out as the Group's exposure to such is not material.

37.3.2 Liquidity risk

Liquid assets of a company consist of cash and assets which can be converted to cash in a short period of time to settle liabilities as they arise. Liquidity is an important factor in the operations of a business as it is an essential requirement for the successful operation of an entity.

A shortage of liquidity would have a negative impact on stakeholder confidence in a business entity and hampers its operations. The Group has ensured that it maintains sufficient liquidity reserves to meet all its operational and investment requirements by closely monitoring and forecasting future funding needs and securing funding sources for both regular and emergency requirements.

Shortening the working capital cycle is one of the main practises preferred in ensuring that there is sufficient liquidity at a given time. Adequate shortterm working capital facilities provided by banks are available to all the Group companies which are utilised in the event of a requirement. These facilities are available at favourable rates and have been mostly provided without collateral. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required and closely monitors their utilisation.

The Group has implemented procurement and vendor evaluation policies to prevent payment of excessive prices to suppliers and to obtain favourable credit periods in order to ensure a strong working capital position. Special attention has been given to cash inflows and outflows both at a consolidated and sector levels. The maturity profile of the Group's investments is monitored and adjusted to meet expected future cash outflows in the short, medium and long terms.

Funding requirements of the sectors and the parent company are evaluated at regular intervals by analysing business expansion strategies. The Group has adopted a conservative investment strategy in order to preserve the scarce capital as well as to minimise the risk. At opportune moments funds are mobilised by accessing capital markets. The Group attempts to minimise future interest expenses on borrowings by negotiating favourable interest rates with the respective lenders and makes use of attractive interest rates offered by international banks on foreign currency denominated funding mostly to finance its overseas investments.

37.3.2.1 Maturity analysis of financial liabilities based on contractual undiscounted payments.

Group

As at 31st March 2023	Carrying amount	Contractual cash flows					
		On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	56,567,478	-	15,336,261	13,593,550	34,058,512	13,474,589	76,462,912
Lease liabilities	17,544,672	-	2,764,473	2,716,278	4,852,784	21,698,647	32,032,181
Trade and other payables	22,768,646	14,441,323	8,327,323	-	-	-	22,768,646
Bank overdrafts and other short-term borrowings	22,791,252	22,791,252	-	-	-	-	22,791,252
	119,672,048	37,232,575	26,428,057	16,309,828	38,911,296	35,173,236	154,054,991

As at 31st March 2022	Carrying amount	Contractual cash flows					
		On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	57,951,970	-	11,709,927	10,028,093	31,556,348	15,786,750	69,081,117
Lease liabilities	17,405,404	-	2,363,843	2,337,645	5,321,905	20,980,406	31,003,798
Trade and other payables	21,000,495	12,769,992	8,230,503	-	-	-	21,000,495
Bank overdrafts and other short-term borrowings	9,617,003	9,617,003	-	-	-	-	9,617,003
	105,974,872	22,386,995	22,304,272	12,365,738	36,878,253	36,767,156	130,702,414

Company

As at 31st March 2023	Carrying amount	Contractual cash flows					
		On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	3,987,060	-	1,590,709	1,477,541	1,364,990	-	4,433,240
Trade and other payables	8,009,291	7,898,802	110,489	-	-	-	8,009,291
Bank overdraft and other short-term borrowings	10,406,913	10,406,913	-	-	-	-	10,406,913
	22,403,264	18,305,715	1,701,198	1,477,541	1,364,990	-	22,849,444

As at 31st March 2022	Carrying amount	Contractual cash flows					
		On demand	Less than 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Interest-bearing loans and borrowings	5,185,240	-	197,572	1,335,100	2,541,962	-	5,795,478
Trade and other payables	13,383,256	13,230,849	152,407	-	-	-	13,383,256
Bank overdraft and other short-term borrowings	2,881,302	2,881,302	-	-	-	-	2,881,302
	21,449,798	16,112,151	349,979	1,335,100	2,541,962	-	22,060,036

37.3.2.2 Liquidity position

	GROUP		COMPANY	
	31.03.2023 Rs.'000	31.03.2022 Rs.'000	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Cash and short-term deposits	16,215,515	15,343,546	3,028,386	3,730,842
Trade and other receivable within 30 days	7,462,328	9,642,793	5,234,976	4,609,627
Bank deposit	26,381,937	24,469,056	20,516,449	19,494,259
Total Liquid assets	50,059,780	49,455,395	28,779,811	27,834,728
Less:				
Bank overdraft and other short term borrowing	22,791,252	9,617,003	10,406,913	2,881,302
On demand trade and other payables	14,441,323	12,769,992	7,898,802	13,230,849
Total on demand liabilities	37,232,575	22,386,995	18,305,715	16,112,151
Excess liquidity through operating cycle	12,827,205	27,068,400	10,474,096	11,722,577
Liquidity available on demand				
Undrawn approved bank facilities	21,796,640	28,270,462	10,667,746	13,389,500

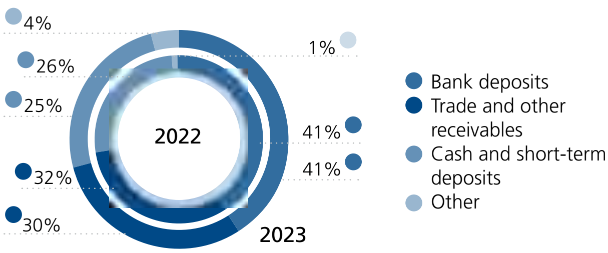
37.3.3. Credit risk

The risk assumed by an entity resulting from the risk of a counterparty defaulting on its contractual obligations in relation to a financial instrument or a customer contract is known as the credit risk. The Group's exposure to credit risk arises from its operating and financing activities including transactions with banks in placing deposits, foreign exchange transactions and through the use of other financial instruments. The maximum credit risk of the Group and the Company is limited to the carrying value of these financial assets as at the reporting date.

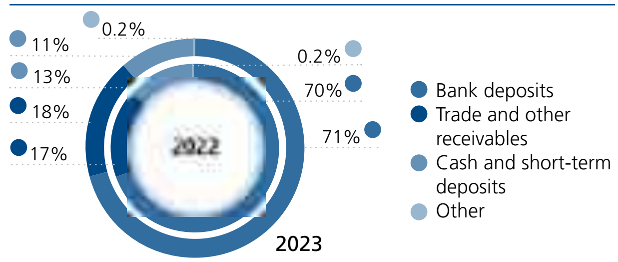
37.3.3.1 Credit risk exposure

	GROUP				COMPANY			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	Rs.'000	Concentration %	Rs.'000	Concentration %	Rs.'000	Concentration %	Rs.'000	Concentration %
Trade and other receivables	19,730,952	30.46	19,089,257	32.07	5,234,976	18.16	4,609,627	16.53
Deposits and prepayments	1,294,086	2.00	234,803	0.39	1,446	0.005	536	0.002
Other financial assets								
- Unquoted equity securities and debt securities	380,778	0.59	342,285	0.58	16,171	0.06	20,577	0.07
- Quoted equity securities	46,529	0.07	47,906	0.08	25,702	0.09	23,610	0.08
- Bank deposits	26,381,937	40.73	24,469,056	41.11	20,516,449	71.18	19,494,259	69.92
- Amounts due from equity-accounted investees	725,524	1.12	-	-	-	-	-	-
Cash and short-term deposits	16,215,515	25.03	15,343,546	25.78	3,028,386	10.51	3,730,842	13.38
	64,775,321	100.00	59,526,853	100.00	28,823,130	100.00	27,879,451	100.00

Credit risk exposure - Group



Credit risk exposure - Company



The Board of Directors has provided the policy direction for the Group treasury to manage the risk arising from investments made in financial institutions. The Group's transactions are carried out only with a limited number of institutions all of which have stable credit ratings from internationally recognised rating providers. The Group's exposures and credit ratings of counterparties are continuously monitored and the investment portfolio is diversified amongst several institutions to minimise the unsystematic risk.

37.3.3.2 Expected credit loss assessment

The Group adopted Expected Credit Loss (ECL) approach to impairment of its financial assets. This enables better credit risk reporting of financial instruments by carrying reasonably quantified default risk adjusted value of assets in the balance sheet and minimising the timing difference in recognition of future default loss.

ECL measurement approach that is best suited for each class of asset is determined based on underlying risk characteristics of the asset. Subsequent to selection between general and simplified approaches to measurement, the Group assesses financial assets using data that is determined to be predictive of default risk, including but not limited to external ratings, historical payment patterns, audited financial statements, cash flow projections. Group companies apply experienced credit judgement taking in to account qualitative and quantitative factors that are indicative of the risk of default. Scalar macroeconomic factor adjustments such as GDP forecast, also incorporated to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected recovery period.

The Group re-evaluated its approach to measurement of ECL in the light of the current economic crisis in Sri Lanka, as the consequent unexpected deterioration in credit quality of investment portfolios (financial institutions) and trade receivables (non-financial institutions), will have a significant impact on the ECL measurement. The Group considered all reasonable and supportable information available without undue cost or effort at the reporting date as well as practical expedients made available. Economic Factor Adjustment (EFA) and Probability of Default (PD) updated to reflect the impact of adverse economic condition in measuring ECL while Loss Given Default (LGD) was used without modification. The Group also assessed it financial instruments for Significant Increase in Credit Risk (SICR) with available, reasonable and supportable information including economic support and relief measures provided to counterparties.

37.3.3.2.1 Analysis of ECL measurement basis of financial assets classified at amortised cost - Group

	31.03.2023					31.03.2022				
	Carrying amount	Impairment recognised				Carrying amount	Impairment recognised			
		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	19,730,952	-	(145,261)	(866,518)	(1,011,779)	19,089,257	-	(4,049)	(427,673)	(431,722)
Deposits and prepayments	1,294,086	-	-	-	-	234,803	-	-	-	-
Other financial assets										
- Unquoted debt securities	78,227	-	-	-	-	66,259	(3,364)	-	-	(3,364)
- Government securities	-	-	-	-	-	-	-	-	-	-
- Bank deposits	26,381,937	(2,584)	-	-	(2,584)	24,469,056	(604)	-	-	(604)
- Amounts due from equity-accounted investees	725,524	-	-	-	-	-	-	-	-	-
Cash and short-term deposits	16,215,515	-	-	-	-	15,343,546	-	-	-	-
	64,426,241	(2,584)	(145,261)	(866,518)	(1,014,363)	59,202,921	(3,968)	(4,049)	(427,673)	(435,690)

37.3.3.2.2 Movement in ECL allowance during the financial year - Group

	Trade and other receivables	Other financial assets		
		Unquoted debt securities	Government securities	Bank deposits
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2021	(474,895)	(3,317)	(12,611)	(212)
Exchange difference/direct write-offs and reversals	(63,585)	-	-	979
Net impairment during the year	106,758	(47)	12,611	(1,371)
Balance as at 31st March 2022	(431,722)	(3,364)	-	(604)
Exchange difference/direct write-offs and reversals	(172,377)	-	-	(34)
Net impairment during the year	(407,680)	3,364	-	(1,946)
Balance as at 31st March 2023	(1,011,779)	-	-	(2,584)

37.3.3.2.3Analysis of ECL measurement basis of financial assets classified at amortised cost - Company

	31.03.2023					31.03.2022				
	Carrying amount	Impairment recognised				Carrying amount	Impairment recognised			
		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total		12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade and other receivables	5,234,976	-	-	(737,024)	(737,024)	4,609,627	-	(237,349)	(207,358)	(444,707)
Deposits and prepayments	1,446	-	-	-	-	536	-	-	-	-
Other financial assets										
- Unquoted debt securities	4,292	-	-	-	-	6,341	-	-	-	-
- Government securities	-	-	-	-	-	-	-	-	-	-
- Bank deposits	20,516,449	(2,371)	-	-	(2,371)	19,494,259	(539)	-	-	(539)
Cash and short-term deposits	3,028,386	-	-	-	-	3,730,842	-	-	-	-
	28,785,549	(2,371)	-	(737,024)	(739,395)	27,841,605	(539)	(237,349)	(207,358)	(445,246)

37.3.3.2.4 Movement in ECL allowance during the financial year - Company

	Trade and other receivables	Other financial assets	
		Government securities	Bank deposits
	Rs.'000	Rs.'000	Rs.'000
Balance as at 31st March 2021	(206,803)	-12,611	(208)
Exchange difference/direct write-offs	3,000	-	-
Net impairment during the year	(240,904)	12,611	(331)
Balance as at 31st March 2022	(444,707)	-	(539)
Exchange difference/direct write-offs	-	-	-
Net impairment during the year	(292,317)	-	(1,832)
Balance as at 31st March 2023	(737,024)	-	(2,371)

37.3.3.3 Trade receivables

Trade receivables consist of recoverable from a large number of customers spread across diverse industries, segments and geographies. 62.2% of the Group's trade receivables are due for settlement within 90 days as at the end of the financial year. The credit policy for each segment of business varies due to the diversity of operations in the Group. The credit policies that best suit their respective business environment are developed for each sector and the responsibility rests with the heads of finance and the senior management teams.

Group companies formulate their credit policies subsequent to analysing credit profiles of customers. In this regard factors such as the credit history, legal status, market share, geographical locations of operations, and industry information are considered. References from bankers or credit information databases are obtained when it is considered necessary. Each group company has identified credit limits for their customers. In the event a customer does not meet the criteria or the stipulated benchmark on a transaction, then the business is carried out with such customers only up to the value of the collaterals or advances obtained.

Apart from the state-owned enterprise which is the largest customer of the Strategic Investments sector, the Group does not have a significant credit risk exposure to any other single counterparty. Concentration of credit risk of the state-owned enterprise is 42.5% of total trade receivables of the Group as at 31st March 2023.

Trade receivable settlement profile

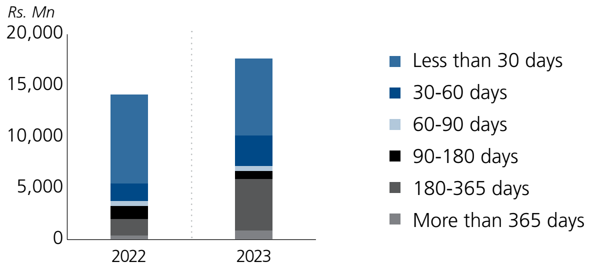
Group

	31.03.2023			31.03.2022		
	Gross carrying amount Rs.'000	Impairement Provision Rs.'000	Net carrying amount Rs.'000	Gross carrying amount Rs.'000	Impairement Provision Rs.'000	Net carrying amount Rs.'000
Less than 30 days	7,462,328	(96,559)	7,365,769	8,625,933	(5,834)	8,620,099
More than 30 days but less than 60 days	2,960,220	(2,880)	2,957,340	1,750,869	(8,957)	1,741,912
More than 60 days but less than 90 days	525,988	(1,775)	524,213	456,514	(4,128)	452,386
More than 90 days but less than 180 days	739,746	(3,831)	735,915	1,288,986	(4,150)	1,284,836
More than 180 days but less than 365 days	5,041,950	(349,081)	4,692,869	1,607,934	(9,243)	1,598,691
More than 365 days	870,380	(496,232)	374,148	382,432	(354,169)	28,263
	17,600,612	(950,358)	16,650,254	14,112,668	(386,481)	13,726,187

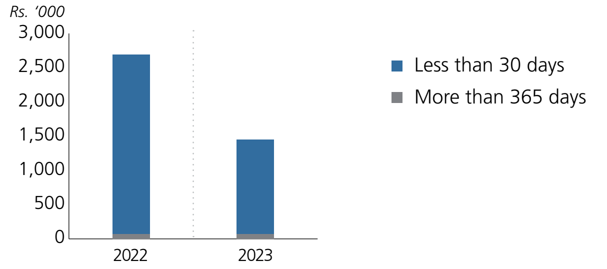
Company

	31.03.2023			31.03.2022		
	Gross carrying amount Rs.'000	Impairement Provision Rs.'000	Net carrying amount Rs.'000	Gross carrying amount Rs.'000	Impairement Provision Rs.'000	Net carrying amount Rs.'000
Less than 30 days	1,381	-	1,381	2,627	-	2,627
More than 30 days but less than 365 days	-	-	-	-	-	-
More than 365 days	66	(66)	-	66	(66)	-
	1,447	(66)	1,381	2,693	(66)	2,627

Trade receivable settlement profile - Group



Trade receivable settlement profile - Company



The Group uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Loss rates that are based on actual credit loss experience over the past years, further subjected to asset correlation calibration and forward-looking adjustments. Loss Given Default (LGD) of 100% is assumed for ECL calculation of trade receivables.

Collateral acquired for mitigating credit risk

The Group whenever possible, does not offer credit to individuals unless collateral in the form of unconditional and irrevocable bank guarantees that can be encashed on demand or advances are provided to cover the receivable. The Group focuses on quality and the realisability of such collateral to mitigate potential credit losses.

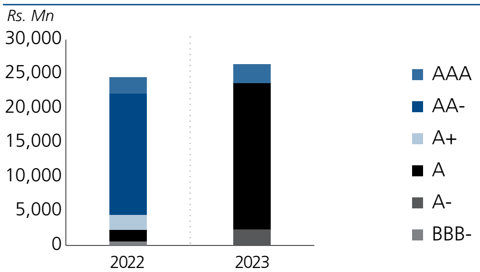
37.3.3.4. Deposits and balances with banks

The Group has a number of bank deposits in Sri Lankan rupees and other currencies. These deposits have been placed in several banks in order to minimise the credit risk in accordance with the policy directions provided by the Board. In order to further minimise the credit risk, the Group's exposure and credit ratings of banks are regularly monitored and a diversified investment portfolio is maintained. In the event of any weakening of credit metrics of a bank the Group may decide to liquidate its investments and move to an institution with a higher credit rating.

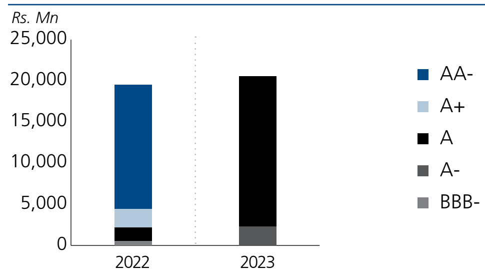
Bank Deposits

Credit Rating (Fitch national credit rating scale or equivalent)	GROUP				COMPANY			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %
AAA	2,735,759	10.4	2,337,203	9.6	-	-	-	-
AA-	-	-	17,701,401	72.3	-	-	15,063,743	77.3
A+	-	-	2,214,662	9.1	-	-	2,214,662	11.4
A	21,336,915	80.9	1,700,470	6.9	18,206,972	88.7	1,700,470	8.7
A-	2,311,848	8.8	-	-	2,311,848	11.3	-	-
BBB-	-	-	515,925	2.1	-	-	515,925	2.6
Total gross carrying amount	26,384,523	100.0	24,469,661	100.0	20,518,821	100.0	19,494,800	100.0
Impairment of bank deposits	(2,584)		(604)		(2,371)		(539)	
Total net carrying amount	26,381,938		24,469,057		20,516,449		19,494,260	

Bank deposits analysed by credit rating - Group



Bank deposits analysed by credit rating - Company

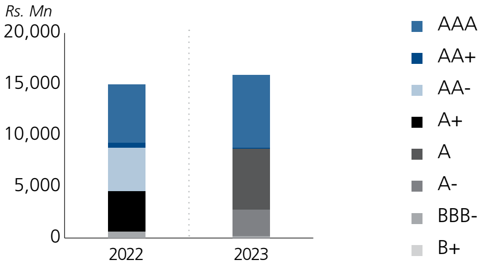


Impairment on bank deposits is measured on 12-month expected loss basis. External credit ratings of the counterparties and probability of default (PD) rates corresponding rating scale published by rating agencies are used in ECL calculation. PD rates are recalibrated using asset correlation formula and forward-looking adjustments are incorporated in arriving at final loss rates. Loss given default (LGD) of 45% is assumed for bank deposits. Credit ratings of counterparties are carefully monitored and subsequent deterioration of the credit quality would trigger remeasurement of loss allowances using Lifetime ECL method.

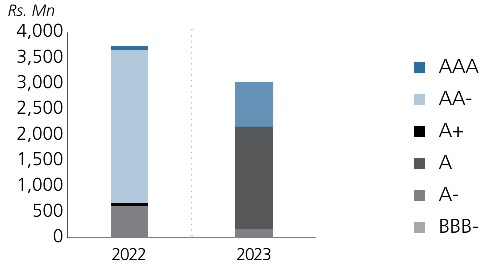
Cash and short-term deposits at bank

Credit Rating (Fitch national credit rating scale or equivalent)	GROUP				COMPANY			
	31.03.2023		31.03.2022		31.03.2023		31.03.2022	
	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %	Carrying amount Rs.'000	Concentration %
AAA	7,131,928	44.8	5,679,429	37.9	867,843	28.7	68,660	1.8
AA+	91,188	0.6	478,364	3.2	-	-	-	-
AA-	-	-	4,260,620	28.5	-	-	2,748	0.1
A+	-	-	3,785,067	25.3	-	-	2,975,677	79.8
A	5,938,522	37.3	132,578	0.9	58	0.002	71,160	1.9
A-	2,588,880	16.3	-	-	1,985,921	65.6	-	-
BBB-	178,294	1.1	632,074	4.2	174,354	5.8	612,437	16.4
B+	152	0.001	-	-	-	-	-	-
Cash and short-term deposits at bank	15,928,964	100.0	14,968,132	100.0	3,028,176	100.0	3,730,682	100.0
Cash in hand and funds in transit adjustment	286,550		375,414		210		160	
Total Cash and short-term deposits	16,215,514		15,343,546		3,028,386		3,730,842	

Cash and short-term deposits analysed by credit rating - Group



Cash and short-term deposits analysed by credit rating - Company



37.4. Financial capital management

Main objectives of the Group's financial capital management policy are as follows.

- » Ensuring the availability of adequate capital for long term investments and growth of the business.
- » Maintaining an adequate liquidity buffer for business operations.
- » Sustaining the financial health of the Group to withstand economic cycles; and,
- » Maintaining stakeholder confidence in the Group.

When capital is not available in adequate quantities or at a reasonable cost, it can have an adverse impact on the performance of the Group. The management being conscious of these factors, has implemented the capital management policy to ensure the long-term sustainability and competitiveness of the Group. Ensuring that there is no idle capital which will act as a drag on the returns generated is another factor that is considered. Excessive capital invested in a business will have a dampening impact on the performance while insufficient level of capital will prevent an organisation from achieving its long-term objectives.

37.4.1. Types of financial capital

Financial capital of the Group consists of two components; namely equity and debt. The equity capital consists of the while the debt capital is made up of the long-term and short-term debt. The debt capital is sourced from lending institutions and capital markets. Although the Group raises debt capital often, it has not raised new equity capital from shareholders for several years.

The Group regularly estimates its future capital requirements by evaluating new investments and expansion needs and other uses of capital. Such analysis would highlight shortfalls in available capital which would be raised through either the issue of new equity or debt. The debt to equity ratio (defined as the ratio between non-current interest-bearing borrowings to the total equity including minority interest) is regularly monitored to ensure the efficient use of shareholders' equity. Managing the debt to equity ratio is a vital element of capital management as it has a direct bearing on the Group's ability to raise low cost capital.

	GROUP		COMPANY	
As at	31.03.2023	31.03.2022	31.03.2023	31.03.2022
Debt to equity ratio	0.54	0.64	0.09	0.13

Sourcing of debt is carried out subsequent to careful and detailed analysis of lender proposals. Important factors such as the tenure of the loans, interest rates, capital repayment terms including grace periods and repayment amounts and other terms and conditions including covenants are taken into consideration when making a decision. Minimising the weighted average cost of capital is one of the key considerations in determining sourcing options. The Group's debt is denominated in Sri Lankan rupees as well as foreign currencies such as US dollar, Euro and Indian rupees. Foreign currency denominated loans have been taken mainly by the companies with foreign exchange earnings in order to take advantage of the relatively low interest rates.

The Group treasury plays an active role in ensuring that the cost of capital is maintained at the optimum level and the financial and other covenants linked to the sourcing arrangements are acceptable.

37.4.2. Financial capital allocation and investment

Implementation of the Group's long-term strategy for growth requires continuous capital investments in the four sectors in which the Group operates. The allocation of limited financial capital available is done pursuant to careful evaluation of investment opportunities to ascertain expected returns. The Group's capital investment decisions are supported by elaborate financial modelling, thorough sensitivity analysis and rigorous legal, financial and technical due diligence as required. Identification and ranking of suitable investment opportunities are carried out using the discounted cash flow modelling technique, Internal Rate of Return (IRR) & hurdle rates and payback periods. At the evaluation stage for capital investments, financial modelling, sensitivity analysis and the calculation of IRR are carried out either by the Group's corporate finance division, or the respective sector through which the investment will take place with the assistance of the former.

Upon making the decision to proceed with a capital investment, the Group follows necessary procedures to ensure that it is carried out in the best possible manner. When the investment involves external shareholders, the Group takes steps to protect its rights by entering into carefully drafted legal agreements. Post investment evaluations are carried out at frequent intervals to ensure that the returns envisaged at the evaluation stage are actually delivered. Exposure limits are used to control the default risk especially in portfolio investments.

37.4.3. Adequate financial reserves

The long-term financial health of the Group has been ensured by maintaining sufficient reserves of financial capital which can be drawn upon when there is a requirement. Probable future risks that could result in negative financial outcomes are identified and required mitigation measures are taken. The Group has implemented sound cashflow planning procedures ensuring that the receivables are collected in an efficient manner thereby shortening the cash cycle. A special emphasis is placed on minimising operating costs through critical evaluation and justification of all cost elements.

The Group policies regarding managing receivables have been communicated to the heads of finance of business sectors and the corporate finance division monitors the Group-wide status of receivables and submits exception reports to the management for advice on required action.

37.4.4. Financial capital management policy

The fundamental objective of the financial capital management policy of the Group is maximising the return on limited available capital whilst safeguarding the investments that have already been made. Ensuring that there is adequate financial capital for the Group to expand its operations while continuing with its regular business operations, requires the management to consider multiple facets of the operation and take into account the behaviour of a number of parameters, both internal and external, that affect the operating conditions. The rapid pace of change in the operating environment has a profound influence on many factors affecting the use of financial capital. A thorough understanding derived from years of experience in a business sector is vital to ensure successful management of capital.

The Group's financial capital management policy fundamentally stems from various decisions the Board has taken regarding capital investments and the optimum utilisation of cash resources. This policy is a reflection of the current thinking of the Board on present and future industry, market and economic risks and conditions. Potential investments and divestments are discussed at length by the Group directors and various aspects of risk and return parameters are considered prior to making capital investment decisions. A vital role in the implementation of the financial capital management policy is played by the Group treasury and the corporate finance division.

The management information necessary to base policy decisions such as key performance indicators and value drivers of the sectors highlighting financial performances are generated by the corporate finance division. Some of the important parameters which guide the capital management policy include the tolerance for gearing, interest risk appetite and the view on the exchange rate movement. The underlying variables such as the market borrowing and lending rates, exchange rates, inflation and other macroeconomic indicators are constantly monitored by the Group treasury and recommendations regarding the appropriate policy changes are made to the management.

It is vital for the Group's long-term survival and growth to have a sound financial capital management policy as decisions taken at the present time will have implications for the future. The Group's financial capital management policy, therefore is constantly evolving and attempts to link its future strategy to present day financing decisions while being based on a solid foundation of optimisation of resources.

38 Contracts for capital expenditure

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

38.1 Commitments for capital expenditure for subsidiaries

As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Approximate amount approved but not contracted for	6,043,519	9,883,620
Approximate amount contracted for but not incurred	1,646,051	1,470,329
	7,689,570	11,353,949

The above includes Rs. 6,668 million (2021/2022 - Rs. 9,841.5 million) for the acquisition of property, plant and equipment, Rs. 246.3 million (2021/2022 - Rs. 112.4 million) for the acquisition of intangible assets.

38.2 Commitments for capital expenditure for joint ventures

As at	31.03.2023 Rs.'000	31.03.2022 Rs.'000
Approximate amount approved but not contracted for	93,388	82,870
Approximate amount contracted for but not incurred	27,707	23,216
	121,095	106,086

The amount shown is the Group's share of capital commitments by equity accounted investees.

The above includes Rs. 121.0 million (2021/2022 - Rs. 106 million) for the acquisition of property, plant and equipment.

39 Provisions and contingent liabilities

ACCOUNTING POLICY

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control.

39.1 Contingent liabilities

Contingent liabilities as at 31.03.2023 on corporate guarantees given by Aitken Spence PLC to subsidiaries within the Group and equity-accounted investees amounted to Rs. 11,081.6 million and Rs. 17.5 million respectively. Contingent liabilities as at 31.03.2023 on corporate guarantees given by subsidiaries and equity-accounted investees to other companies in the Group amounted to Rs. 21,277.3 million. Neither Aitken Spence PLC nor subsidiaries and equity-accounted investee have given corporate guarantees on behalf of companies outside the Group including other related companies listed in note 40.3 -40.7 to the financial statements.

Tax Appeals Commission decided in favour of Aitken Spence Travels (Pvt) Ltd., a subsidiary of the Group which was assessed by the Department of Inland Revenue on Income tax for the years of assessment 2009/2010, 2010/2011 and 2011/2012. The Department of Inland Revenue appealed against the above determination to the Court of Appeal for the above years of assessment. The Court of Appeal decided in favour of the company for the years of assessment 2009/2010 and 2010/2011. The Department of Inland Revenue appealed against the Court of Appeal decision for the year of Assessment 2009/2010 and 2010/2011 to the Supreme Court. Supreme Court hearing the appeal for the year of assessment 2009/2010 refused to grant leave to proceed. Therefore the judgement of the Court of Appeal which was decided in favour of the Company will prevail. The contingent liability on income tax and penalties for year of assessment 2010/2011 and 2011/2012, pending hearing in the Supreme Court and Court of Appeal are estimated to be Rs. 69.8 million and Rs. 80.6 million respectively. Based on expert advise and the decision of the Tax Appeals Commission, Court of Appeal and the judgement given by the Supreme Court in relation to year of assessment 2009/2010, the directors are confident that the ultimate resolution would be in favour of the Company.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee which was proposed to be liquidated, and the share of net assets of which is reflected under assets classified as held for sale in the consolidated financial statements of the Group was issued an income tax assessment under the Inland Revenue Act in relation to the year of assessment 2007/2008. The Court of Appeal hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Court of Appeal the Company has appealed against the determination to the Supreme Court. The contingent liability to the Group is estimated to be Rs. 70 million inclusive of any penalties. Based on expert advice the directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

Action was instituted in the Commercial High Court in 2009 by a prospective buyer for the repayment of the advance monies and other related amounts paid by them, for the purchase of a ship which was owned by Ceyaki Shipping (Pvt) Ltd., (an Associate company) which is classified as held for sale in the consolidated financial statements of the Group. The Company contested the action as it deemed that the amount was not due and owing to the prospective buyer. The Commercial High Court delivered a determination in favour of the prospective buyer in March 2013. Consequently Ceyaki Shipping (Pvt) Ltd., appealed to the Supreme Court against the determination of the Commercial High Court. The directors are confident that the ultimate resolution of the case will not have a material adverse impact on the financial statements of the Group.

40 Related party transactions

The Aitken Spence Group and the Company carries out transactions in the ordinary course of business with parties who are defined as related parties as per Sri Lanka Accounting Standard-LKAS 24 Related Party Disclosures. Transactions and outstanding balances between the companies within the Group and related parties are given in note no. 40.2 - 40.9.

40.1 Parent and ultimate controlling party

The immediate parent of Aitken Spence PLC is Melastacorp PLC and the ultimate holding company is Milford Exports (Ceylon) (Pvt) Ltd.

40.2 Transactions with key management personnel

40.2.1 Aitken Spence PLC considers its Board of Directors as the key management personnel of the company. The Board of Directors, Vice Presidents and Assistant Vice Presidents of subsidiary companies are considered as key management personnel of such companies.

40.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

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

	GROUP	COMPANY
	Rs.'000	Rs.'000
Short term employee benefits	1,138,682	317,550
Post employment benefits	8,500	-

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.

40.2.4 Key management personnel of Aitken Spence PLC hold positions in other companies, some of which had trading transactions with the Group during the year. Such companies the Group had transactions with are identified below.

Mr. D.H.S. Jayawardena, Chairman of the Company is also the Chairman or a Director of Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management Asia (Pvt) Ltd and Aitken Spence Aviation (Pvt) Ltd which are subsidiaries of the Group. He is also the Chairman of Browns Beach Hotels PLC and Negombo Beach Resorts (Pvt) Ltd which are equity-accounted investees of the Group, and the Chairman, Managing Director or a Director of companies indicated by "*" in the list of companies disclosed under note 40.3 and 40.6.

Dr. M.P. Dissanayake, Deputy Chairman and Managing Director of the Company is also the Chairman or a Director of the subsidiaries and equity-accounted investees that are indicated by "a" in notes 20 and 21 to the financial statements.

Dr. R.M. Fernando a Director of the Company is also the Managing Director or a Director of the companies marked by "b" in note 20 and 21 to the financial statements.

Miss. D.S.T. Jayawardena a Director of the Company is also the Chairperson or a Director of the companies marked by "c" in note 20 and 21 to the financial statements. She is also the Chairperson or a Director of Ambewela Livestock (Co.) Ltd, Ambewela Products (Pvt) Ltd, Ceylon Garden Coir (Pvt) Ltd, Distilleries Company of Sri Lanka PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (Cwe) PLC, Melstacorp PLC, Pattipola Livestock Co Ltd, Splendor Media (Pvt) Ltd, Stassen Exports (Pvt) Ltd, Stassen Foods (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd and United Dairies Lanka (Pvt) Ltd.

Mr. J.M.S. Brito a Director of the Company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group.

Mr. C. H. Gomez a Director of the Company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group.

Mr. N. J. de S Deva Aditya a Director of the Company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Distilleries Company of Sri Lanka PLC, Melstacorp PLC and The Kingsbury PLC.

Mr. R.N. Asirwatham a Director of the Company is also a Director of Aitken Spence Hotel Holdings PLC which is a subsidiary of the Group and a Director of Browns Beach Hotels PLC which is a equity-accounted investee of the Group. He is also a Director of Ceylon Grain Elevators PLC, Dilmah Ceylon Tea Company PLC, Mercantile Merchant Bank Ltd, Renuka Hotels Ltd and Royal Ceramics Lanka PLC.

Mr. C.R.Jansz a Director of the Company (w.e.f. 14th February 2023) is also a Director of Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Melsta Corp PLC, Melsta Hospitals Ragama (Pvt) Ltd, Periceyl (Pvt) Ltd, Ambewela Livestock Company Ltd, Ambewela Products (Pvt) Ltd, Ceylon Gardner Coir (Pvt) Ltd, Lanka Dairies (Pvt) Ltd, Lanka Milk Foods (CWE) PLC, Pattipola Livestock Company Ltd, Stassen Exports (Pvt) Limited, Stassen Foods (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd and United Dairies Lanka (Pvt) Ltd.

40.3 Transactions with ultimate parent, parent and group companies of the parent.

For the year ended 31st March	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Sale of goods and services	-	-	718,296	397,878
Purchase of goods and services	13,129	10,214	1,516,299	777,014

Transactions with Bell Solutions Pvt Ltd*, Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC*, Formula World (Pvt) Ltd, Hospital Management Melsta (Pvt) Ltd*, Lanka Bell (Pvt) Ltd*, Melstacorp PLC*, Melsta Hospitals Ragama (Pvt) Ltd, Melsta Laboratories (Pvt) Ltd, Periceyl (Pvt) Ltd*, Splendor Media (Pvt) Ltd, Telecom Frontier (Pvt) Ltd and Texpro Industries Ltd* are reflected under transactions with the parent and group companies of the parent, above.

There were no transactions with Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

40.4 Transactions with subsidiary companies

For the year ended 31st March	Transactions with Aitken Spence PLC	
	2023 Rs.'000	2022 Rs.'000
Income from services rendered	1,092,058	680,474
Rent income received	54,682	51,257
Allocation of common personnel and administration expenses	88,582	43,928
Purchase of goods and services	123,181	72,996
Net transfers under finance arrangements	(7,063,995)	4,939,388
Interest income	745,920	188,932
Interest expense	1,559,527	435,477

Transactions with ADS Resorts (Pvt) Ltd, Ace Apparels (Pvt) Ltd, Ace Aviation Services (Pvt) Ltd, Ace Aviation Services Maldives (Pvt) Ltd, Ace Cargo (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Containers (Pvt) Ltd, Ace Distriparks (Pvt) Ltd, Ace Exports (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, Ahungalla Resorts Ltd, Aitken Spence (Garments) Ltd, Aitken Spence Agriculture (Pvt) Ltd, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Developments (Pvt) Ltd, Aitken Spence Elevators (Pvt) Ltd, Aitken Spence Exports Ltd, Aitken Spence Global Operations (Pvt) Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotel Management Asia (Pvt) Ltd, Aitken Spence Hotels (International) Ltd, Aitken Spence Hotels Ltd, Aitken Spence Hotel Management (South India) (Pvt) Ltd, Aitken Spence Industrial Solutions (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Ports International Ltd, Aitken Spence Power (Pvt) Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments Ltd, Aitken Spence Resorts (Middle East) LLC, Aitken Spence Shipping Ltd, Aitken Spence Shipping Services (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd , Cowrie Investments (Pvt) Ltd, Crest Star (BVI) Ltd, D B S Logistics Ltd, Elgin Hydropower (Pvt) Ltd, Fiji Ports Terminal Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Heritance (Pvt) Ltd, Hethersett Hotels Ltd, Interlifts International (Pvt) Ltd, Jetan Travel Services Company (Pvt) Ltd, Kandalama Hotels (Pvt) Ltd, Logilink (Pvt) Ltd, Meeraladuwa (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Neptune Ayurvedic (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Sagasolar Power (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Upper Waltrim Hydropower (Pvt) Ltd, Vauxhall Investments Ltd, Vauxhall Property Developments (Pvt) Ltd, Waltrim Energy Ltd, Waltrim Hydropower (Pvt) Ltd and Western Power Company (Pvt) Ltd are reflected under transactions with subsidiary companies above.

40.5 Transactions with equity-accounted investees

40.5.1 Transactions with joint venture companies

For the year ended 31st March	Transactions with Aitken Spence PLC 2023 Rs.'000	2022 Rs.'000	Transactions with Group companies 2023 Rs.'000	2022 Rs.'000
Sale of goods and services	8,062	4,274	39,374	14,760
Rent income received	1,368	1,539	1,368	1,539
Allocation of common personnel and administration expenses	85	12	85	12
Purchase of goods and services	-	-	42,094	-
Net transfers under finance arrangements	121,152	(1,970)	121,152	(1,970)
Interest income	2,625	500	2,625	500
Interest expense	4,246	1,135	4,246	1,135

Transactions with Ace Bangladesh Ltd, Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd, CINEC Campus (Pvt) Ltd, Spence Seahorse and Marine (Pvt) Ltd are reflected under transactions with joint ventures above.

40.5.2 Transactions with associate companies

For the year ended 31st March	Transactions with Aitken Spence PLC 2023 Rs.'000	2022 Rs.'000	Transactions with Group companies 2023 Rs.'000	2022 Rs.'000
Sale of goods and services	42,582	31,693	177,040	104,460
Allocation of common personnel and administration expenses	2,927	126	2,927	8,715
Purchase of goods and services	5,670	3,360	204,846	52,071
Net transfers under finance arrangements	231,101	1,023,000	120,520	944,657
Interest income	-	-	-	34,689
Interest expense	331,752	37,057	337,436	54,850

Transactions with AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Browns Beach Hotels PLC, E P P Hydro Power (Pvt) Ltd, Elpitiya Lifestyle Solutions (Pvt) Ltd, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd and Serendib Investments Ltd are reflected under transactions with associates above.

40.6 Transactions with other related companies

For the year ended 31st March	Transactions with Aitken Spence PLC 2023 Rs.'000	2022 Rs.'000	Transactions with Group companies 2023 Rs.'000	2022 Rs.'000
Sale of goods and services	-	-	325,986	198,108
Purchase of goods and services	2,451	736	1,238,410	698,557

Transactions with Ambewela Livestock (Co.) Ltd*, Ambewela Products (Pvt) Ltd*, Ceylon Garden Coir (Pvt) Ltd*, Ceylon Grain Elevators PLC, Dilmah Ceylon Tea Company PLC, Lanka Diaries (Pvt) Ltd*, Lanka Milk Foods (Cwe) PLC*, Mercantile Merchant Bank Ltd, Pattipola Livestock Company Ltd*, Renuka Hotels Ltd, Royal Ceramics Lanka PLC, Stassen Exports (Pvt) Ltd*, Stassen Foods (Pvt) Ltd*, Stassen International (Pvt) Ltd*, Stassen Natural Foods (Pvt) Ltd*, The Kingsbury PLC, and United Dairies Lanka (Pvt) Ltd* are reflected under transactions with other related companies, above.

40.7 Transactions with post-employment benefit plans

For the year ended 31st March	Transactions with Aitken Spence PLC 2023 Rs.'000	2022 Rs.'000	Transactions with Group companies 2023 Rs.'000	2022 Rs.'000
Contributions to the provident fund	309,872	269,454	49,540	42,158

Contributions to the Aitken Spence & Associated Companies Executive Staff Provident Fund and the Aitken Spence & Associated Companies Clerical Staff Provident Fund are reflected under transactions with post-employment benefit plans, above.

40.8 Amounts due from related parties

40.8.1 Amount due from ultimate parent, parent and group companies of the parent.

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	31.03.2022 Rs.'000
Group companies of the parent	-	-	78,865	48,625

Balances due from Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Lanka Bell (Pvt) Ltd, Melstacorp PLC, Periceyl (Pvt) Ltd and Telecom Frontier (Pvt) Ltd are reflected under amount due from group companies of the parent, above.

There were no balance due from Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

40.8.2 Amount due from subsidiaries

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	31.03.2022 Rs.'000
Fully owned subsidiaries	3,170,627	2,712,101
Partly owned subsidiaries	2,617,045	1,776,296
	5,787,672	4,488,397
Provision for doubtful debts	733,432	441,115
Expense recognised during the period in respect of bad & doubtful debts	292,317	237,382

Balances due from Ace Apparels (Pvt) Ltd, Ace Cargo (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Containers (Pvt) Ltd, Ace Distriparks (Pvt) Ltd, Ace Exports (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Resorts (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, ADS Resorts (Pvt) Ltd, Ahungalla Resorts Ltd, Aitken Spence Agriculture (Pvt) Ltd, Aitken Spence Apparels (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Developments (Pvt) Ltd, Aitken Spence Elevators (Pvt) Ltd, Aitken Spence Exports Ltd, Aitken Spence (Garments) Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotel Management (South India) (Pvt) Ltd, Aitken Spence Hotel Management Asia (Pvt) Ltd, Aitken Spence Hotels (International) Ltd, Aitken Spence Hotels Ltd, Aitken Spence Industrial Solutions (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Moscow (Pvt) Ltd, Aitken Spence Ports International (Pvt) Ltd, Aitken Spence Power (Pvt) Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments (Pvt) Ltd, Aitken Spence Resorts (Middle East) LLC, Aitken Spence Shipping Ltd , Aitken Spence Shipping Services (Pvt) Ltd , Aitken Spence Technologies (Pvt) Ltd, Aitken Spence Travels (Pvt) Ltd, Aitken Spence Travels Myanmar Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd, Crest Star (BVI) Ltd, Elgin Hydropower (Pvt) Ltd, Fiji Ports Terminal Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Heritance (Pvt) Ltd, Hethersett Hotels Ltd, Interlifts International (Pvt) Ltd, Kandalama Hotels (Pvt) Ltd, Meeraladuwa (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, Neptune Ayurvedic (Pvt) Ltd, Royal Spence Aviations (Pvt) Ltd, Sagasolar Power (Pvt) Ltd, Spence Maldives (Pvt) Ltd, Turyaa (Pvt) Ltd, Turyaa Resorts (Pvt) Ltd, Upper Waltrim Hydropower (Pvt) Ltd, Unique Resorts (Pvt) Ltd, Vauxhall Investments Ltd, Vauxhall Property Developments (Pvt) Ltd, Waltrim Energy Ltd, Waltrim Hydropower (Pvt) Ltd and Western Power Company (Pvt) Ltd are reflected under amount due from subsidiaries above.

NOTES TO THE FINANCIAL STATEMENTS

40.8.3 Amount due from equity-accounted investees

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	Balances with Group companies 31.03.2022 Rs.'000
Joint ventures	152,104	147,535	412,381	171,882
Associates	26,058	11,797	866,050	844,978
	178,162	159,332	1,278,431	1,016,860
Provision for doubtful debts	3,527	3,527	11,574	11,574
Expense recognised during the period in respect of bad & doubtful debts	-	3,527	-	11,574

Balances due from Aitken Spence C & T Investments (Pvt) Ltd, Aitken Spence Engineering Solutions (Pvt) Ltd and CINEC Campus (Pvt) Ltd are reflected under amount due from joint ventures and balances due from AEN Palm Oil Processing (Pvt) Ltd, Aitken Spence Plantation Management PLC, Browns Beach Hotels PLC, Elpitiya Plantations PLC, Negombo Beach Resorts (Pvt) Ltd, Paradise Resort Pasikudah (Pvt) Ltd and Serendib Investments Ltd are reflected under amount due from associates above.

40.8.4 Amount due from other related companies

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	Balances with Group companies 31.03.2022 Rs.'000
Other related companies	-	-	26,518	26,912

Balances due from Ambewela Products (Pvt) Ltd, Ceylon Grain Elevators PLC, Dilmah Ceylon Tea Company PLC, Lanka Diaries (Pvt) Ltd, Lanka Milk Foods (Cwe) PLC, Royal Ceramics Lanka PLC, Stassen Exports (Pvt) Ltd, Stassen Foods (Pvt) Ltd, Stassen International (Pvt) Ltd, Stassen Natural Foods (Pvt) Ltd and The Kingsbury PLC are reflected under amount due from other related companies, above.

40.9 Amounts due to related parties

40.9.1 Amount due to ultimate parent, parent and group companies of the parent.

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	Balances with Group companies 31.03.2022 Rs.'000
Group companies of the parent		-	12,224	15,750

Balances due to Continental Insurance Lanka Ltd, Distilleries Company of Sri Lanka PLC, Formula World (Pvt) Ltd, Lanka Bell (Pvt) Ltd, Melsta Laboratories (Pvt) Ltd, Periceyl (Pvt) Ltd, Splendor Media (Pvt) Ltd and Texpro Industries Ltd are reflected under amount due to group companies of the parent, above.

There were no balance due to Milford Exports (Ceylon) (Pvt) Ltd, the ultimate holding company of Aitken Spence PLC.

40.9.2 Amount due to subsidiaries

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000
Fully owned subsidiaries	2,681,982	4,861,338
Partly owned subsidiaries	3,167,807	7,314,091
	5,849,789	12,175,429

Balances due to Ace Apparels (Pvt) Ltd, Ace Aviation Services (Pvt) Ltd, Ace Aviation Services Maldives (Pvt) Ltd, Ace Cargo (Pvt) Ltd, Ace Containers (Pvt) Ltd, Ace Container Repair (Pvt) Ltd, Ace Container Terminals (Pvt) Ltd, Ace Freight Management (Pvt) Ltd, Ace Power Embilipitiya (Pvt) Ltd, Ace Wind Power (Pvt) Ltd, Aitken Spence Aviation (Pvt) Ltd, Aitken Spence Cargo (Pvt) Ltd, Aitken Spence Exports Ltd, Aitken Spence Group Ltd, Aitken Spence Hotel Management (Pvt) Ltd, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotels Ltd, Aitken Spence Industrial Solutions (Pvt) Ltd, Aitken Spence International Consulting (Pvt) Ltd, Aitken Spence Insurance Brokers (Pvt) Ltd, Aitken Spence Maritime Ltd, Aitken Spence Ports International Ltd, Aitken Spence Power (Pvt) Ltd, Aitken Spence Printing and Packaging (Pvt) Ltd, Aitken Spence Property Developments Ltd, Aitken Spence Resources (Pvt) Ltd, Aitken Spence Shipping Ltd, Aitken Spence Shipping Services Ltd, Aitken Spence Travels (Pvt) Ltd, Branford Hydropower (Pvt) Ltd, Clark Spence and Company Ltd , Cowrie Investments (Pvt) Ltd, D B S Logistics Ltd, Global Parcel Delivery (Pvt) Ltd, Hapag Lloyd Lanka (Pvt) Ltd, Hethersett Hotels Ltd, Jetan Travel Services Company (Pvt) Ltd, Logilink (Pvt) Ltd, Royal Spence Aviation (Pvt) Ltd, Shipping & Cargo Logistics (Pvt) Ltd, Upper Waltrim Hydropower (Pvt) Ltd, Vauxhall Investments Ltd, Vauxhall Property Developments Ltd and Waltrim Hydropower (Pvt) Ltd are reflected under amount due to subsidiaries above.

40.9.3 Amount due to equity-accounted investees

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	Balances with Group companies 31.03.2022 Rs.'000
Joint ventures	182,711	59,678	182,840	59,805
Associates	1,398,592	1,117,446	2,002,823	1,745,149
	1,581,303	1,177,124	2,185,663	1,804,954

Balances due to Ace Bangladesh Ltd and Spence Seahorse Marine (Pvt) Ltd are reflected under amount due to joint ventures and balances due to Ace Aviation Myanmar Ltd, Aitken Spence Plantation Management PLC, Elpitiya Plantations PLC, Fiji Ports Corporation Ltd and Negombo Beach Resorts (Pvt) Ltd are reflected under amount due to associates above.

40.9.4 Amount due to other related companies

As at	Balances with Aitken Spence PLC 31.03.2023 Rs.'000	Balances with Aitken Spence PLC 31.03.2022 Rs.'000	Balances with Group companies 31.03.2023 Rs.'000	Balances with Group companies 31.03.2022 Rs.'000
Other related companies	282	-	85,047	76,152

Balances due to Ambewela Products (Pvt) Ltd, Ceylon Grain Elevators PLC, Lanka Diaries (Pvt) Ltd, The Kingsbury PLC, Lanka Milk Foods (Cwe) PLC, Mercantile Merchant Bank Ltd, Renuka Hotels Ltd, Stassen Exports (Pvt) Ltd and Stassen Foods (Pvt) Ltd are reflected under amount due to other related companies, above.

40.10 Terms and conditions of transactions with related parties

All related party transactions are carried out in the normal course of business and transacted at normal business terms .The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions and comparable with those that would have been charged from un-related companies. All related party outstanding balances at the year-end are unsecured and are to be settled in cash. The Group does not have any material commitments to related parties, other than those disclosed in note 39 to the financial statements.

41 Foreign currency translation

The principal exchange rates used for translation purposes were;

As at	31.03.2023	31.03.2022
United States Dollar	327.14	293.88
British Pound	405.97	385.81
Euro	357.10	326.38
Oman Rial	850.05	763.13
Fiji Dollar	150.72	140.62
Maldivian Rufiyaa	21.22	19.35
South African Rand	18.38	20.16
Indian Rupee	3.99	3.88
Bangladesh Taka	3.05	3.41
Myanmar Kyat	0.16	0.17

42 Number of employees

The number of employees of the Group (excluding equity-accounted investees) at the end of the year was 7,408 (2021/2022 - 6,993) The number of employees of the Company at the end of the year was 167 (2021/2022 - 161).

43 Events occurring after the reporting date

All material events after the reporting date have been considered, disclosed and adjusted where applicable.

Final dividend

The Board of Directors of the Company has approved an final ordinary dividend of Rs. 4.00 per share for the year 2022/2023. Details of the dividend is disclosed in note 14 to the financial statements.

Amalgamation of Group companies

Subsidiary companies of Aitken Spence Hotel Holdings PLC, Turyaa Resorts (Pvt) Ltd and Turyaa (Pvt) Ltd was amalgamated on 01 April 2023 under shortform amalgamation as per the Companies Act number 07 of 2007 of Sri Lanka. There will be no impact to the Group financial statements due to this amalgamation.

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

44 Comparative information

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The presentation and classification of the financial statements of the previous period, have been adjusted, where relevant, for better presentation.

CONSOLIDATED INCOME STATEMENT IN USD

For the year ended 31st March		2023 USD.'000	2022 USD.'000
Revenue		299,885	186,117
Revenue taxes		(3,409)	(1,850)
Net revenue		296,476	184,267
Other operating income		6,181	25,112
Changes in inventories of finished goods and work-in-progress		1,018	1,207
Raw materials and consumables used		(24,638)	(13,774)
Employee benefits expense		(46,257)	(33,215)
Depreciation, amortisation and impairment losses of non-financial assets		(21,954)	(16,613)
Other operating expenses - direct		(108,648)	(69,740)
Other operating expenses - indirect		(44,149)	(21,481)
Profit from operations		58,029	55,763
Finance income		8,817	3,950
Finance expenses		(35,877)	(13,632)
Net finance expense		(27,060)	(9,682)
Share of profit of equity-accounted investees (net of tax)		3,271	2,321
Profit before tax		34,240	48,402
Income tax expense		(9,553)	(7,038)
Profit for the year		24,687	41,364
Attributable to:			
Equity holders of the company		20,309	35,864
Non-controlling interests		4,378	5,500
Profit for the year		24,687	41,364
Earnings per share - Basic/Diluted (Rs.)	USD cents =	5.00	8.83
Exchange rate	USD =	327.14	293.88

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME IN USD

For the year ended 31st March		2023 USD.'000	2022 USD.'000
Profit for the year		24,688	41,363
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation of freehold land		10,902	3,234
Actuarial gains / (losses) on defined benefit obligations		(157)	979
Equity investments at FVOCI – net change in fair value		(4)	(19)
Share of other comprehensive income of equity-accounted investees (net of tax)		160	62
Income tax on other comprehensive income		(5,683)	(164)
		5,218	4,092
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		8,470	27,049
Net movement on cash flow hedges		(1,277)	(9,240)
Share of other comprehensive income of equity-accounted investees (net of tax)		515	3,598
		7,708	21,407
Other comprehensive income for the year, (net of tax)		12,926	25,499
Total comprehensive income for the year		37,614	66,862
Attributable to:			
Equity holders of the company		31,332	56,891
Non-controlling interests		6,282	9,971
Total comprehensive income for the year		37,614	66,862
Exchange rate	USD =	327.14	293.88

Figures in brackets indicate deductions.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN USD

As at	31.03.2023 USD.'000	31.03.2022 USD.'000
ASSETS		
Non-current assets		
Property, plant and equipment	322,489	326,018
Investment property	4,987	5,553
Intangible assets	5,318	4,624
Biological assets	218	237
Right-of-use assets	58,497	64,124
Investments in equity-accounted investees	28,239	29,141
Deferred tax assets	4,950	4,547
Other financial assets	3,143	1,070
	427,841	435,314
Current assets		
Inventories	16,122	13,130
Trade and other receivables	64,937	71,920
Current tax receivable	404	379
Deposits and prepayments	13,039	7,100
Other current assets	82,757	85,506
Cash and short-term deposits	49,568	52,210
	226,827	230,245
Assets classified as held for sale	518	5,959
Total assets	655,186	671,518
EQUITY AND LIABILITIES		
Equity		
Stated capital	6,527	7,265
Reserves	129,993	124,708
Retained earnings	90,920	92,434
Total equity attributable to equity holders of the company	227,440	224,407
Non-controlling interests	36,106	39,121
Total equity	263,546	263,528
Non-current liabilities		
Interest-bearing loans and borrowings	143,513	167,670
Lease liabilities	48,033	53,883
Deferred tax liabilities	17,061	10,808
Employee benefits	3,993	3,751
Other liabilities	1,279	1,638
	213,879	237,750
Current liabilities		
Interest-bearing loans and borrowings	29,402	29,526
Lease liabilities	5,597	5,343
Trade and other payables	69,598	100,407
Current tax payable	3,496	2,240
Bank overdrafts and other short-term borrowings	69,668	32,724
	177,761	170,240
Total equity and liabilities	655,186	671,518
USD =	327.14	293.88

Figures in brackets indicate deductions.

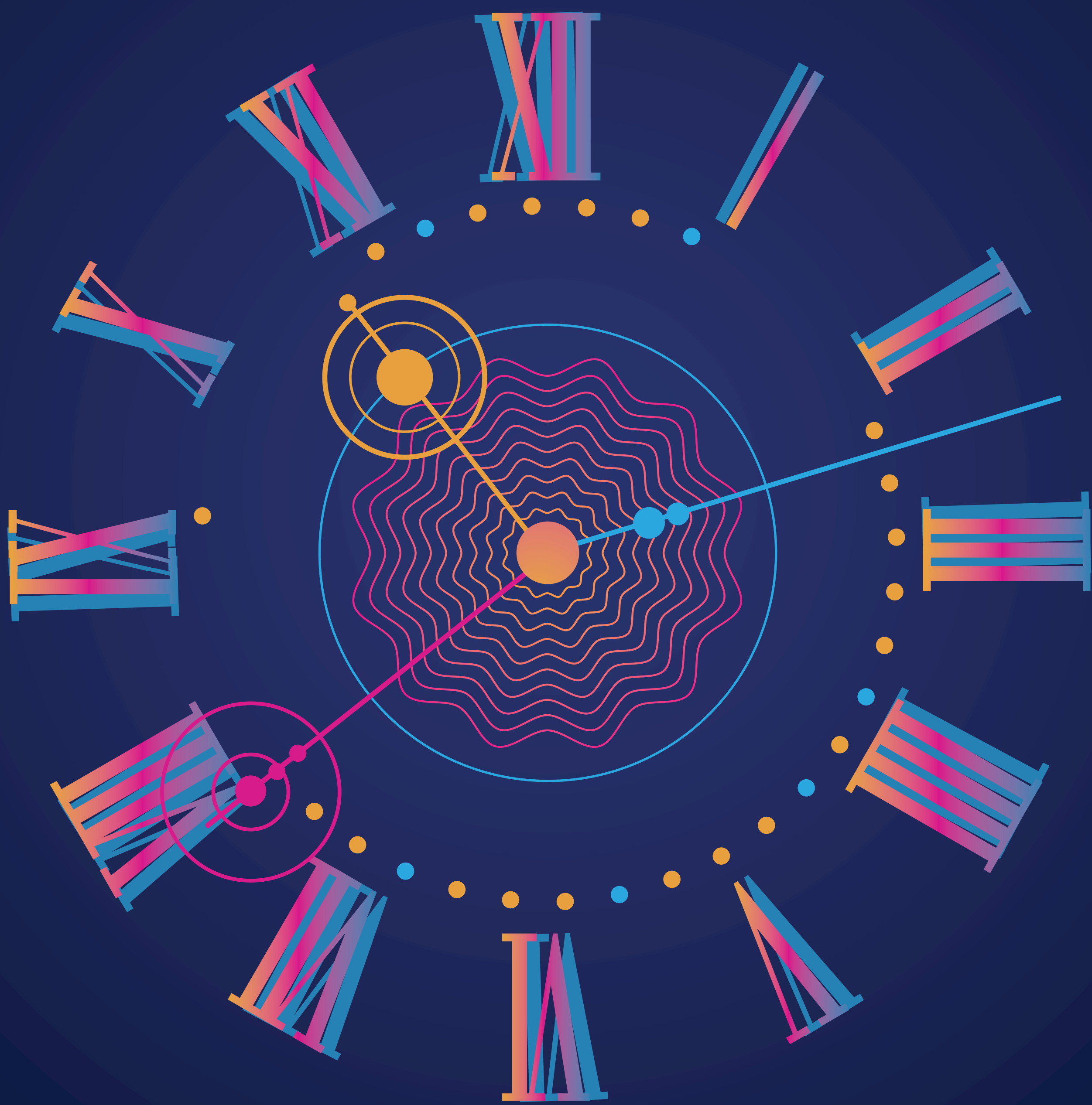
TEN YEAR SUMMARY

Year ended as at 31st of March	2023 Rs.'000	2022 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000	2014 Rs.'000
Operating Results										
Revenue	98,104,323	54,696,051	31,597,505	53,471,257	55,680,903	52,734,969	45,892,179	25,977,795	35,318,891	35,059,123
Profit before taxation	11,201,446	14,224,180	(2,844,273)	4,197,662	7,282,608	6,397,816	5,246,872	3,805,508	5,709,923	5,444,946
Taxation	3,125,077	2,068,363	469,510	1,310,688	1,511,258	1,248,284	1,201,407	861,229	826,323	865,457
Profit after taxation	8,076,369	12,155,817	(3,313,783)	2,886,974	5,771,350	5,149,532	4,045,465	2,944,279	4,883,600	4,579,489
Profit attributable to Aitken Spence PLC	6,644,027	10,539,592	(1,625,623)	2,377,591	4,077,067	3,560,348	2,890,032	2,027,112	3,579,008	3,671,870
Equity & Liabilities										
Stated capital	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140	2,135,140
Reserves	42,525,804	36,649,102	28,014,136	25,165,268	23,416,042	20,500,926	16,849,379	15,248,423	13,867,687	13,883,457
Retained earnings	29,743,417	27,164,516	19,340,780	23,648,558	23,899,401	22,163,669	20,492,912	19,262,056	19,022,310	16,238,762
Non-controlling interest	11,811,656	11,496,921	9,702,142	12,355,105	12,635,237	11,484,969	11,315,985	7,554,724	7,211,980	6,617,863
Non-current liabilities	69,968,573	69,869,860	54,848,117	48,689,812	34,526,058	23,560,466	19,503,049	13,639,158	10,727,403	8,493,842
Current liabilities	58,153,100	50,030,000	32,940,045	30,670,089	28,384,657	27,997,370	24,998,995	15,514,730	12,426,235	13,644,187
	214,337,690	197,345,539	146,980,360	142,663,972	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251
Assets										
Property, plant and equipment	105,499,126	95,810,136	79,826,252	79,399,616	71,590,332	59,274,780	50,048,523	35,278,046	28,696,631	24,799,321
Investment property	1,631,581	1,631,904	1,631,580	1,631,839	1,632,100	1,632,360	1,630,801	1,630,801	1,648,301	1,648,301
Intangible assets	1,739,817	1,358,973	1,065,966	1,069,997	945,468	890,378	886,103	867,223	558,040	651,796
Biological assets	71,334	69,669	63,122	56,275	49,332	47,293	43,583	25,838	-	-
Right-of-use assets	19,136,841	18,844,699	14,060,406	13,249,662	-	-	-	-	-	-
Leasehold property	-	-	-	-	2,214,519	2,023,903	2,042,459	2,006,728	1,906,527	1,461,100
Pre paid operating leases	-	-	-	-	2,366,966	2,241,358	1,978,348	1,828,797	1,072,370	1,010,199
Finance lease receivables	-	-	-	-	-	-	-	-	-	2,245,884
Investments in equity-accounted investees	9,238,093	8,564,101	7,080,305	6,688,625	6,434,116	6,334,455	6,060,842	9,771,984	5,403,518	3,367,589
Deferred tax assets	1,619,314	1,336,394	1,196,477	766,677	690,924	563,391	434,794	328,140	215,907	224,495
Other financial assets	1,028,075	314,359	806,856	800,719	834,096	873,340	285,629	257,799	279,346	339,540
Current assets	74,204,086	67,664,210	40,006,177	37,810,912	38,074,557	33,812,157	31,735,253	21,209,750	25,383,192	25,115,901
Assets classified as held for sale	169,423	1,751,094	1,243,219	1,189,650	164,125	149,125	149,125	149,125	226,923	149,125
	214,337,690	197,345,539	146,980,360	142,663,972	124,996,535	107,842,540	95,295,460	73,354,231	65,390,755	61,013,251
Cash Flow										
Net cash inflow/(outflow) from operating activities	3,460,593	21,796,935	3,452,194	5,621,369	6,504,172	7,140,458	15,814	9,814,619	7,749,219	5,297,677
Net cash inflow/(outflow) from investing activities	(2,112,215)	(7,489,605)	(5,032,765)	(10,246,263)	(14,512,079)	(5,473,582)	(3,994,720)	(9,670,774)	(7,457,188)	(4,240,047)
Net cash inflow/(outflow) from financing activities	(12,636,498)	(2,994,040)	646,916	1,390,968	4,423,159	1,196,937	(1,640,661)	2,251,750	2,422,566	407,539
Increase/(decrease) in cash and cash equivalents	(11,288,120)	11,313,290	(933,655)	(3,233,926)	(3,584,748)	2,863,813	(5,619,567)	2,395,595	2,714,597	1,465,169
Share Information										
Earnings per share (Rs.)	16.36	25.96	(4.00)	5.86	10.04	8.77	7.12	4.99	8.82	9.04
Market value per share (Rs.)	131.00	73.70	55.50	30.70	41.00	50.60	56.20	73.50	99.50	97.90
Market capitalisation on 31st March (Rs. Mn)	53,185	29,922	22,533	12,464	16,646	20,543	22,817	29,841	40,397	39,747
Price earnings ratio	8.01	2.84	(13.88)	5.24	4.08	5.77	7.90	14.72	11.29	10.82
Price to book value ratio	0.71	0.45	0.46	0.24	0.34	0.46	0.58	0.81	1.15	1.23
Net assets per share (Rs.)	183.26	162.44	121.9	125.49	121.8	110.35	97.24	90.26	86.27	79.45
Employees Information										
No. of employees	7,408	6,994	6,789	7,730	8,002	7,413	7,360	7,342	7,131	6,797
Value added per employee (Rs. Mn)	6.1	4.7	1.7	2.7	2.6	2.5	2.3	1.7	2.0	1.9
Ratios & Statistics										
Ordinary dividend (Rs. '000)	1,623,984	1,623,984	405,996	507,495	1,014,990	811,992	710,493	608,994	811,992	811,992
Dividend per share (Rs.)	4.00	4.00	1.00	1.25	2.50	2.00	1.75	1.50	2.00	2.00
Dividend cover (times covered)	4.09	6.49	(4.00)	4.68	4.02	4.38	4.07	3.33	4.41	4.52
Dividend - payout ratio	0.24	0.15	(0.25)	0.21	0.25	0.23	0.25	0.30	0.23	0.22
Current ratio (times covered)	1.28	1.35	1.21	1.23	1.34	1.21	1.27	1.37	2.04	1.84
Debt-equity ratio	0.54	0.64	0.66	0.55	0.47	0.35	0.34	0.28	0.22	0.19
ROE (%)	9.47	18.26	(3.24)	4.74	8.65	8.45	7.59	5.66	10.64	12.18
Interest Cover	2.19	6.04	(0.43)	2.92	8.44	8.29	7.29	16.80	30.47	13.97

A Trilogy of Progress

Consecution

Past | Present | Future



Supplementary Information

DECODING OUR INTEGRATED APPROACH TO SUSTAINABILITY

Our Integrated Sustainability Policy

Aitken Spence

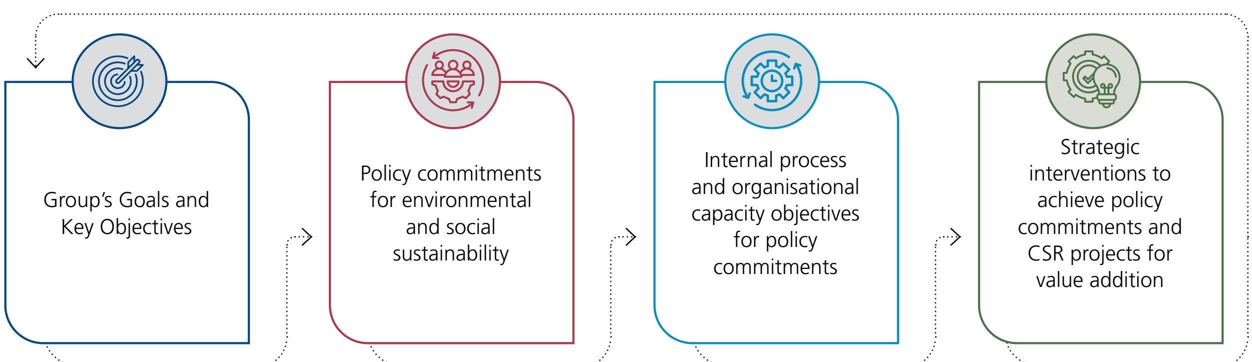
- **A** Maintain best practices in legal and regulatory compliance
- **B** Endorse local & global development priorities
- **C** Ethical conduct of business
- **D** Commit to prevent adverse environmental impacts
- **E** Climate change risk and disaster risk reduction (DRR)
- **F** Stakeholder engagement
- **G** Encourage supply chain sustainability
- **H** Incorporate ESG in strategic decision-making processes
- **J** Process control for risk management
- **K** Promote innovation in internal processes, products & services
- **L** Enhance quality of products and services and value delivered to customers
- **M** Build partnerships for community development
- **N** Support and enable local economic development
- **O** Ensure safe workplaces for employees (OHS)
- **P** Policies & strategies to harness a strong and motivated workforce
- **Q** Support & protect internationally proclaimed human rights
- **R** Public disclosure of performance
- **S** Ensure information security of the organisation
- **T** Policies & strategies for responsible communication
- **U** Uphold animal welfare
- **V** Uphold annual performance review and future planning

As we have detailed in earlier sections of this report, the approach we take in our integrated sustainability strategy gives priority to potential and actual socioeconomic and environmental impacts identified for our operations. We use stakeholder feedback, desk reviews, expert insights as well as local and global needs identified to prioritise the impacts. To present an example, we studied the targets and indicators within the SDGs before we aligned with seven SDGs towards which the Group's companies collectively contribute through;

» Systemic interventions (i. e. efforts integrated into the business models)

» CSR interventions (i. e. additional efforts to provide support and advance development)

These collective interventions contribute towards reaching the key objectives of the Group to achieve our goals. Shown below is a synopsis of these efforts.



The process of identifying impacts and integrating within the sustainability strategy of the Group

DECODING OUR INTEGRATED APPROACH TO SUSTAINABILITY

Synopsis of collective interventions to achieve our goals and key objectives;

Integrated Policy Commitments:		Internal Process or Organisational Capacity Objectives	Alignment to SDGs	Applicable GRI Topics
A	Maintain best practices in legal and regulatory compliance	Zero non-compliance with laws and regulations		General Disclosures
B	Endorse local & global development priorities	Establish systemic interventions to facilitate the achievement of the SDGs and strengthen the adoption of the Ten Principles of the UNGC, the Women's Empowerment Principles and other voluntary endorsements of the company across the Aitken Spence Group		General Disclosures
C	Ethical conduct of business	Zero non-compliances with laws and regulations, and stipulations regarding voluntary codes concerning marketing communications, product and service information and labelling Zero incidents of corruption, anti-competitive behaviour, ant-trust and monopoly practices, discrimination, and non-compliance concerning the health and safety impacts of products & services		General Disclosures
D	Commit to prevent adverse environmental impacts	100% segments to establish impact control mechanisms Zero adverse impacts to natural water sources, protected areas and areas of high biodiversity value outside protected areas Set and achieve science-based targets towards reaching a state of net zero emissions by 2030		Topic Standards on environment (300 series of standards)
E	Climate change risk and disaster risk reduction (DRR)	By 2025, all SBUs to strengthen BCPs with Disaster Risk Reduction (DRR) mechanisms with special focus on climate change related risks. Proactively strengthen business resilience against climate change related risks year on year		General Disclosures Topic standard 201
F	Stakeholder engagement	Continually and proactively engage with key stakeholders to identify social, environmental, and economic impacts, needs and consumer trends		General Disclosures
G	Encourage supply chain sustainability	Encourage 100% suppliers to implement and maintain sustainable strategies 100% suppliers to be included within ESG due diligence procedures		General Disclosures Topic standards, 308 and 414

Strategic Interventions	CSR Projects	Progress
» Internal audit procedures » Legal registers maintained as per the requirements of management systems maintained across the Group	None	Achieved and ongoing
» Participation in the UNGC Working Groups on climate action, gender, and human rights at the workplace » Leading the Working Group on human rights » Participating in the accelerator programmes of the UNGC for Target Gender Equality, Climate Ambitions, Human Rights at the Workplace and SDG Innovators » Partnerships maintained (See list of Memberships and Industry Associations on our website and in the Annexes)	Awareness campaigns conducted on social media Alignment of community development projects and environmental projects to SDGs (More details provided in the Capital reports)	Ongoing
» Group's Code of Ethics and Professional Conduct made accessible to all employees as a printed document and an online learning tool with over 10,000 employees views » Internal audit procedures » Group's integrated sustainability policy and implementation framework rolled out through the Sustainability Team » Ongoing employee engagements to create awareness on the Group's HR policies	None	Achieved and ongoing
» Environmental Management Systems (EMS) aligned to ISO 14001:2015 or similar mandated and KPIs monitored across the Group » Annual internal/ external inspections » Certified EMSs maintained across key operations with higher estimated vulnerability to environmental impacts » Supplier screening introduced for ESG due diligence	Tree planting campaigns carried out by business segments Plants donated by the nursery maintained at the Embilipitiya power plant	Ongoing
» MDs, HODs and core members required to work on DRR trained by the Asia Pacific Alliance for Disaster Management Sri Lanka (APAD-SL) and the Disaster Management Centre – Sri Lanka » DRR Team formed with sectoral teams and communications channels formed with direct access to share alerts, notices and briefings from the DMC/ APAD-SL	Reforestation and food safety initiatives implemented within the plantations segment (More details in the Capital Reviews) Discussion panels, events and social media used to create awareness on public platforms	Ongoing
» Shareholder Feedback Form made accessible on this report and on our website on aitkenspence.com/feedback » Proactive activities rolled out routinely to seek feedback from stakeholders on specific material topics » 'Voice of Spensonians' survey launched across the Group » 'SpenceWay' survey carried out to seek feedback from specific customer segments » Segmental engagements with communities to enable a channel of engagement to seek feedback and comments	Routine community development initiatives implemented across the Group to engage with community members proactively. (More details to be provided in Social & Relationship Capital report)	Achieved and ongoing
» Due diligence procedures introduced within the Group	Specific segments conduct training and awareness building programmes for suppliers on ESG	Ongoing

DECODING OUR INTEGRATED APPROACH TO SUSTAINABILITY

Integrated Policy Commitments:	Internal Process or Organisational Capacity Objectives	Alignment to SDGs	Applicable GRI Topics
H Incorporate ESG in strategic decision-making processes	All investment decisions to be screened through ESG due diligence procedures of the Group Routinely brief and sensitise the HODs, the Management Council, the Group Supervisory Board and the Main Board on key topics material to ensure the Group's social, environmental and economic sustainability.		General Disclosures
J Process control for risk management	Implement and maintain processes across all operations to proactively identify and manage risks		General Disclosures
K Promote innovation in internal processes, products & services	Inculcate a culture of innovation with internal processes implemented to generate new ideas, deliver unique customer experiences, and improve productivity across all operations		General Disclosures
L Enhance quality of products and services and value delivered to customers	Year on year, continual process improvements to deliver best in class customer experiences Strengthen brand visibility across all market segments		Topic standards; particularly 308, 404, 414, 416, and 417
M Build partnerships for community development	Proactively identify community needs and introduce strategic interventions to deliver long term value Plan projects to drive at least 75% employee engagement in community development interventions		Topic Standards; particularly 201, 202, 203, 204, 401, 403, and 413
N Support and enable local economic development	Prioritise and enable employment and purchasing opportunities to communities from within 35-45km radius of the operations outside Colombo where practicable adhering to SOPs Engage with local suppliers to create awareness about ESG, and sustainability Create awareness among key community segments to create a green workforce		General Disclosures Topic Standards; particularly 201, 202, 203, 204, 401, 403, and 413
O Ensure safe workplaces for employees	All operations to implement HIRAC procedures to ensure occupational health & safety (OHS) and safe workplaces for all stakeholders Zero accidents at the workplace		Topic Standards on employment and labour standards (400 series of topic standards)

Strategic Interventions	CSR Projects	Progress
» Due diligence procedures for new projects » Internal weekly communiqué called 'Coffee Break' shared among the GSB and the Management Council (MC) on news, updates and trends in sustainability and innovation. This was initiated by Dr. Parakrama Dissanayake and is reviewed by Dr. Fernando every week. » Executive Director, Ms. Stasshani Jayawardena, received briefings and participated in discussions on policies, procedures and best practices for gender equality at the workplace as the Ambassador from Aitken Spence in UNGC's Target Gender Equality accelerator programme. » The Group's CHRO, Mr. Suresh Muttiah, is currently participating as the Ambassador from Aitken Spence in the Business & Human Rights accelerator programme » Executive Director and former Chairperson of the Board of Directors of the UNGC Local Network Sri Lanka, Dr. Rohan Fernando, is briefed on our material topics on a daily basis. Dr. Fernando discusses updates and pertinent issues with the GSB, MC and the Main Board on progress made in the Group's sustainability strategy.	None	Ongoing
» Internal due diligence procedures » Vulnerability assessments carried out at all key operations by the Group's DRR team	None	Ongoing
» 'SpenceLabs', 'Spence Hackathon' and 'Spence Innova' platforms launched for employee engagement to enable idea generation (More details in the Human Capital report) » Two teams of four Spensonians are participating in the UNGC SDG Innovation accelerator programme with MD/ CEO of Elevators and MMBL and Certified Lean Six Sigma Black Belt Mr. Hindurangala participating as the Ambassador from Aitken Spence to guide these teams.	Travels and hotels segments participate in supplier engagement activities to educate and encourage suppliers to embrace ESG and innovation to elevate their product and service offering.	Ongoing
» Quality management systems and/ or SOPs maintained by all operations » Elevators segment partnered with CINEC Campus to train the next generation of elevator service technicians	Plantations segment also engages with SMEs to introduce new products and services	Ongoing
» Segmental engagement in industry associations and organisations » Group level and segmental partnerships with organisations such as Save the Children, Foundation of Goodness, APAD-SL etc. to engage in strategic interventions	Please refer to the Social & Relationship Capital section for details on community development interventions	Ongoing
» Local purchasing policies practiced by key segments » Priority given to applicant from the local community, especially in operations located outside Colombo » Educating suppliers from local communities on expected ESG standards to develop supply chain sustainability and to ensure local suppliers can have access to bigger supply chain networks	Partnering with external organisations to reach extended supply chains for education on ESG and to showcase their products and services	Ongoing
» Group level OHS procedures » Certified management systems maintained by segments who have identified OHS as a significant material topic » HR procedures and frameworks such as e-platforms for medical consultations	Awareness programmes such as Power Learning sessions and webinars with specialist doctors Annual blood donation campaign to create awareness on Thalassaemia	Ongoing

DECODING OUR INTEGRATED APPROACH TO SUSTAINABILITY

	Integrated Policy Commitments:	Internal Process or Organisational Capacity Objectives	Alignment to SDGs	Applicable GRI Topics
P	Policies & strategies to harness a strong and motivated workforce	Achieve employer of choice status with a 90% employee engagement score by 2030		Topic Standards on employment and labour standards (400 series of topic standards)
Q	Support & protect internationally proclaimed human rights	Zero incidents of discrimination and violations of human rights at the workplace Ensure 100% awareness among all employees about grievance handling mechanisms and remedial action available for violations of human rights across the Group		Topic Standards on employment and labour standards (400 series of topic standards)
R	Public disclosure of performance	Align the Group's performance disclosures in accordance with the GRI Standards Train and educate assigned team members across the group on data requirements and ensure routine disclosure on data recording platforms enabled across the Group		General Disclosures
S	Ensure information security of the organisation	Educate all employees on information security related SOPs Zero non-compliances with relevant rules, regulations, industry standards Ensure adherence to guidelines to safeguard the internal information assets, maintain information confidentiality, integrity and availability	None	Not covered in GRI
T	Policies & strategies for responsible communication	Zero incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labelling, and marketing communications Increase brand visibility across all markets Resolve 100% substantiated complaints received concerning breaches of customer privacy All communications from our companies to be screened to ensure adherence to SOPs		General Disclosures Topic standards; particularly 308, 404, 405, 406, 407, 408, 409, 414, 416, 417, and 418
U	Uphold animal welfare	Uphold animal welfare within our operations considering all animals as sentient beings, who deserve humane treatment		Topic Standard on Biodiversity
V	Uphold annual performance review and future planning	100% operations to carry out annual internal inspections and conduct reviews and future planning with the Top Management		General Disclosures and all Topic Standards

For more information and our management approach for all material topics, please refer to the Capital reports on pages 193 to 248.

Strategic Interventions	CSR Projects	Progress
» Enhance talent bench strength for leadership and critical positions » Establish an objective based talent management ecosystem » Attract best-in-class talent » Nurture a value centric performance culture » Focused talent retention for critical mass » Enhance employee experience » Commitment to Diversity and Inclusion » Foster innovation and digital transformation	Employee engagement activities carried out by Group HR and the HR Partners	Ongoing
» Human Resource procedures of the Group including SOPs for grievance handling and prevention of sexual harassment » Due diligence procedures maintained across the group » Training and education provided to key team members on human rights at the workplace » ESG introduced into supplier screening procedures	Awareness provided to suppliers on the Group's ESG benchmarks and due diligence procedures	Ongoing
» Group's public disclosures adhere to GRI Standards 2021 » Online and offline systems enabled, monitored and reviewed across the Group for performance data collection » Internal capacity built on the GRI Standards (including a key team member who is a GRI certified sustainability professional) to ensure accurate adherence to the standard » Internal gap assessments conducted on disclosures » External assurance sought by Aitken Spence PLC, and Elpitiya Plantations for public disclosures.	Participation in awards programmes and other public platforms to share our insights on public disclosures	Ongoing
» ISO 27001 certified management system and SOPs maintained by Group IT for information security	None	Ongoing
» Brand custodianship controlled by Group Business Development Division with the Group’s Communications Teams » SOPs maintained for communications of the Group with standards reviewed routinely with the Group's Communications Teams » Key team members of the Group's Communications Teams educated on sign language to ensure special needs guests are able to access the services they need	None	Ongoing
» Guidelines developed for the guests, associates, employees and suppliers to educate stakeholders and to ensure compliance within the supply chain » Key stakeholders educated on biodiversity, conservation, prevention of wildlife trafficking and prevention of the exploitation of wildlife	Partnerships formed by the hotels segment to ensure the welfare of community dogs	Ongoing
» Annual reviews mandated at segmental and Group level to evaluate performance against our policy commitments.	None	Achieved and ongoing

AITKEN SPENCE PLC

BENCHMARKED TO GLOBAL STANDARDS:

THE GRI INDEX, THE UN GLOBAL COMPACT AND THE WOMEN'S EMPOWERMENT PRINCIPLES

28 May 2022 marked 20 years of engagement for Aitken Spence PLC as a signatory to the UN Global Compact. This was an integral step in the company's formation of a formal sustainability strategy, incorporating priorities for long-term social, environmental and economic sustainability, viability, profitability and integrity of the company. Aitken Spence internalised these 10 principles from the inception of the Group's sustainability strategy and our progress can be viewed in this report as connected through this GRI Index.

The Group became signatory to the Women's Empowerment Principles in 2010/2011, among the first entities in the world to do so.

Aitken Spence PLC aligns with the Global Reporting Initiative's frameworks for sustainability reporting as it is the most widely used framework in the world affording us comparability of information. Our report for this financial year is 'In Accordance' with the GRI Standard reporting framework to disclose our performance information. Requirements of these global benchmarks also influences the Group's integrated sustainability policy and its implementation framework.

The Ten Principles of the UN Global Compact

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Business should make sure they are not complicit in human rights abuses.

Labour Standards

3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

4 Businesses should uphold the elimination of all forms of forced and compulsory labour.

5 Businesses should uphold the effective abolition of child labour.

6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

7 Businesses should support a precautionary approach to environmental challenges.

8 Businesses should undertake initiatives to promote greater environmental responsibility.

9 Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10 Businesses should work against corruption in all its forms, including extortion and bribery.

The 7 UN Women's Empowerment Principles

1. Establish high-level corporate leadership for gender equality

2 Treat all women and men fairly at work – respect and support human rights and nondiscrimination

3 Ensure the health, safety and well-being of all women and men workers

4 Promote education, training and professional development for women

5 Implement enterprise development, supply chain and marketing practices that empower women

6 Promote equality through community initiatives and advocacy

7 Measure and publicly report on progress to achieve gender equality

WE SUPPORT

Refer to the following icons in the GRI Index, showing the connection between the Ten Principles of the UNGC, and the seven principles of the Women's Empowerment Principles;

UNGC Principles:

1 2 3 4 5 6 7 8 9 10

Women's Empowerment Principles:

1 2 3 4 5 6 7

COMMUNICATION ON PROGRESS

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

We welcome feedback on its contents.

INDEPENDENT ASSURANCE REPORT

EY
Building a better working world

Ernst & Young
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Independent Assurance Report to the Board of Directors of Aitken Spence PLC

Scope

We have been engaged by Aitken Spence PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report (the "Subject Matter") as of 31st March 2023.

Criteria applied by Aitken Spence PLC

In preparing the Subject Matter, Aitken Spence PLC applied the following criteria ("Criteria"):

» The Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines, publicly available at GRI's global website www.globalreporting.org.

GRI 13: Agriculture, Aquaculture and Fishing Sectors standard 2022

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity's Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Aitken Spence PLC's responsibilities

Aitken Spence PLC's management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Aitken Spence PLC on 02 May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT ASSURANCE REPORT

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

» Validated the information presented and checked the calculations performed by the organisation through recalculation

» Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.

» Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected key management personnel and relevant staff

» Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.

» Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

06th June 2023
Colombo

INDEPENDENT ASSURANCE REPORT

Building a better working world

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Independent Assurance Report to the Board of Directors of Aitken Spence PLC on the Integrated Annual Report-2022/23

Scope

We have been engaged by Aitken Spence PLC ("the Entity") to perform a 'limited assurance engagement,' as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, on its Integrated Annual Report for the year ended 31st March 2023. (the "Subject Matter").

Criteria applied by Aitken Spence PLC

In preparing the Subject Matter, Aitken Spence PLC applied the Guiding Principles and Content Elements given in the IFRS Foundation/ International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework (<IR> Framework) ("Criteria").

Such Criteria were specifically designed for purpose of assisting in determining whether the capital management, stakeholder engagement, business model, strategy, organisational overview & external environment outlook presented in the Integrated Annual Report is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

Aitken Spence PLC's responsibilities

Aitken Spence PLC's management is responsible for selecting the Criteria, preparation and presentation and self-declaration of the information and statements contained within the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Ernst & Young's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Aitken Spence PLC on 02 May 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

INDEPENDENT ASSURANCE REPORT

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Performed a comparison of the content of the Integrated Annual Report against the Guiding Principles and Content Elements given in the Integrated Reporting Framework (<IR> Framework).
- Checked whether the information contained in the Integrated Annual Report – Financial Capital element information has been properly derived from the audited financial statements.
- Conducted interviews with the selected key management personnel and relevant staff and obtained an understanding of the internal controls, governance structure and reporting process relevant to the Integrated Report.
- Obtained an understanding of the relevant internal policies and procedures developed, including those relevant to determining what matters most to the stakeholders, how the organisation creates value, the external environment, strategy, approaches to putting members first, governance and reporting.
- Obtained an understanding of the description of the organisation's strategy and how the organisation creates value, what matters most to the stakeholders and enquiring the management as to whether the description in the Integrated Report accurately reflects their understanding.
- Checked the Board of Directors meeting minutes during the financial year to ensure consistency with the content of the Integrated Report.
- Tested the relevant supporting evidence related to qualitative & quantitative disclosures within the Integrated Report against identified material aspects.
- Read the Integrated Report in its entirety for consistency with our overall knowledge obtained during the assurance engagement

We also performed such other procedures as we considered necessary in the circumstances.

Emphasis of matter

Economic, Natural, Social and Intellectual capital management data/ information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Entity's Integrated Annual Report as of 31st March 2023 in order for it to be in accordance with the Criteria.

06th June 2023
Colombo

THE GRI INDEX

Statement of use	Aitken Spence PLC has reported in accordance with the GRI Standards for the period 1 April 2021 to 31 March 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI 13 (Agriculture Sector)

Notes:

A grey cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.

Omissions and assumptions

We currently report on Scope 1 and Scope 2 emissions. We hope to include Scope 3 emissions in due course.

A * denotes that the Sector Standard is only applicable to the plantations segment. More details can also be perused from the annual report of Elpitiya Plantations PLC for the year 2022/23.

We estimate the emissions reduced by the generation and/ or use of renewable energy by considering the equivalent amount of emissions to produce and/ or use the same quantity of energy from the alternative, non-renewable source we may otherwise have used.

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
General disclosures							
GRI 2: General Disclosures 2021	2-1 Organisational details	Pg 420					
	2-2 Entities included in the organisation's sustainability reporting	Pg 406-407					
	2-3 Reporting period, frequency and contact point	Pg 4, 7					
	2-4 Restatements of information	Pg 5					
	2-5 External assurance	Pg 5, 395-398					
	2-6 Activities, value chain and other business relationships	Pg 10-11	None				
	2-7 Employees	Pg 205	None				⑥
	2-8 Workers who are not employees	Pg 205	None				⑥
	2-9 Governance structure and composition	Pg 70, 72, 76	None				⑩
	2-10 Nomination and selection of the highest governance body	Pg 76, 98	None				❶
	2-11 Chair of the highest governance body	Pg 71	None				
	2-12 Role of the highest governance body in overseeing the management of impacts	Pg 71, 82, 83	None				❶
	2-13 Delegation of responsibility for managing impacts	Pg 83	None				❶
	2-14 Role of the highest governance body in sustainability reporting	Pg 5, 83	None				❶ ❼
	2-15 Conflicts of interest	Pg 80, 83	None				❶
	2-16 Communication of critical concerns	Pg 83	None				
	2-17 Collective knowledge of the highest governance body	Pg 53, 58, 73, 80	None				
	2-18 Evaluation of the performance of the highest governance body	Pg 82	None				
	2-19 Remuneration policies	Pg 85	None				❶ ❷
	2-20 Process to determine remuneration	Pg 85	None				❶ ❷

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
	2-21 Annual total compensation ratio	-	2 - 21	Confidentiality constraints	Currently not disclosed due to reasons of confidentiality		❶ ❷
	2-22 Statement on sustainable development strategy	Pg 27, 32, 68	None				⑩ ❶ ❻
	2-23 Policy commitments	Pg 77	None				⑩ ❻
	2-24 Embedding policy commitments	Pg 84, 77	None				⑩ ❻
	2-25 Processes to remediate negative impacts	Pg 36	None				
	2-26 Mechanisms for seeking advice and raising concerns	Pg 79	None				⑩
	2-27 Compliance with laws and regulations	Pg 49, 232, 236	None				⑩
	2-28 Membership associations	Pg 235	None				
	2-29 Approach to stakeholder engagement	Pg 36 - 37	None				
	2-30 Collective bargaining agreements	Pg 212	None				③ ❷ ❸
Material topics							
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Pg 38 - 40					
	3-2 List of material topics	Pg 40					
Economic performance							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 193-200	None			13.2.1* 13.20.1*	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Pg 202	None			13.22.2*	
	201-2 Financial implications and other risks and opportunities due to climate change	Pg 94	None			13.22.2*	⑦
	201-3 Defined benefit plan obligations and other retirement plans	Pg 342 - 346	None				
	201-4 Financial assistance received from government	Pg 237	None				
Market presence							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 214, 237	None				
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Pg 214	None				⑥ ❺ ❻
	202-2 Proportion of senior management hired from the local community	Pg 237	None				⑥ ❺ ❻
Indirect economic impacts							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 236, 237	None			13.22.1*	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Pg 238	None			13.22.3*	
	203-2 Significant indirect economic impacts	Pg 236	None			13.22.4*	❻
Procurement practices							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 236, 237	None				

*Note: * denotes that the Sector Standard is only applicable to the plantations segment. More details can also be perused from the annual report of Elpitiya Plantations PLC for the year 2022/23.*

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Pg 237, 243	None				5
Anti-corruption							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 79	None			13.26.1*	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Pg 79	None			13.26.2*	10
	205-2 Communication and training about anti-corruption policies and procedures	Pg 79	None			13.26.3*	10
	205-3 Confirmed incidents of corruption and actions taken	Pg 232	None			13.26.4*	10
Anti-competitive behaviour							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None				
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Pg 232	None				
Tax							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 110, 197					
GRI 207: Tax 2019	207-1 Approach to tax	Pg 110, 197	None				
	207-2 Tax governance, control, and risk management	Pg 110, 197	None				
	207-3 Stakeholder engagement and management of concerns related to tax	Pg 197	None				
	207-4 Country-by-country reporting	-	207-4,b	Not applicable	We provide consolidated financial disclosures for locations outside Sri Lanka keeping with the accounting standards followed by the Company.		
Materials							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 241	None				7 8 9
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Pg 241	None				7 8 9
	301-2 Recycled input materials used	Pg 241	None				7 8 9
	301-3 Reclaimed products and their packaging materials	Pg 241	None				7 8 9
Energy							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 244	None				7 8 9
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Pg 244	None				7 8 9
	302-2 Energy consumption outside of the organisation	-	302-2	Information unavailable/ incomplete	Provided on pg 244		7 8 9
	302-3 Energy intensity	Pg 244	None				7 8 9
	302-4 Reduction of energy consumption	Pg 244	None				7 8 9
	302-5 Reductions in energy requirements of products and services	Pg 244	None				7 8 9

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
Water and Effluents							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 245	None				⑦⑧⑨
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Pg 245	None				⑦⑧⑨
	303-2 Management of water discharge-related impacts	Pg 245	None				⑦⑧⑨
	303-3 Water withdrawal	Pg 245, 246	None				⑦⑧⑨
	303-4 Water discharge	Pg 245, 246	None				⑦⑧⑨
	303-5 Water consumption	Pg 245, 246	None				⑦⑧⑨
Biodiversity							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 240	None				⑦⑧⑨
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Pg 240	None				⑦⑧⑨
	304-2 Significant impacts of activities, products and services on biodiversity	Pg 240, 247	None				⑦⑧⑨
	304-3 Habitats protected or restored	Pg 247	None				⑦⑧⑨
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Pg 248	None				⑦⑧⑨
Emissions							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 244	None				⑦⑧⑨
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Pg 245	None				⑦⑧⑨
	305-2 Energy indirect (Scope 2) GHG emissions	Pg 245	None				⑦⑧⑨
	305-3 Other indirect (Scope 3) GHG emissions	-	305-2	Information unavailable/ incomplete	Provided on pg 244		⑦⑧⑨
	305-4 GHG emissions intensity	Pg 245	None				⑦⑧⑨
	305-5 Reduction of GHG emissions	Pg 245	None				⑦⑧⑨
	305-6 Emissions of ozone-depleting substances (ODS)	Pg 244	None				⑦⑧⑨
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Pg 244	None				⑦⑧⑨
Waste							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 246	None				⑦⑧⑨
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Pg 246	None				⑦⑧⑨
	306-2 Management of significant waste-related impacts	Pg 246	None				⑦⑧⑨
	306-3 Waste generated	Pg 246	None				⑦⑧⑨
	306-4 Waste diverted from disposal	Pg 246	None				⑦⑧⑨

*Note: * denotes that the Sector Standard is only applicable to the plantations segment. More details can also be perused from the annual report of Elpitiya Plantations PLC for the year 2022/23.*

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
	306-5 Waste directed to disposal	Pg 246	None				⑦⑧⑨
Supplier environmental assessment							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 236	None				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Pg 236, 243, 251	None				⑧⑨
	308-2 Negative environmental impacts in the supply chain and actions taken	Pg236	None				⑧⑨
Employment							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 208	None			13.20.1*	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pg 208	None				①⑥❷❼
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pg 214	None				
	401-3 Parental leave	Pg 215	None				
Labour/management relations							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 212	None				
GRI 402: Labour/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Pg 212	None				⑥
Occupational health and safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 210	None			13.19.1*	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pg 207	None			13.19.2*	❸
	403-2 Hazard identification, risk assessment, and incident investigation	Pg 207	None			13.19.3*	❸
	403-3 Occupational health services	Pg 209	None			13.19.4*	❸
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pg 207	None			13.19.5*	③❸
	403-5 Worker training on occupational health and safety	Pg 207	None			13.19.6*	❸
	403-6 Promotion of worker health	Pg 210	None			13.19.7*	❸
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pg 210	None			13.19.8*	❸
	403-8 Workers covered by an occupational health and safety management system	Pg 207, 210	None			13.19.9*	❸
	403-9 Work-related injuries	Pg 210	None			13.19.10*	❸
	403-10 Work-related ill health	Pg 210	None			13.19.11*	❸
Training and education							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 212	None				

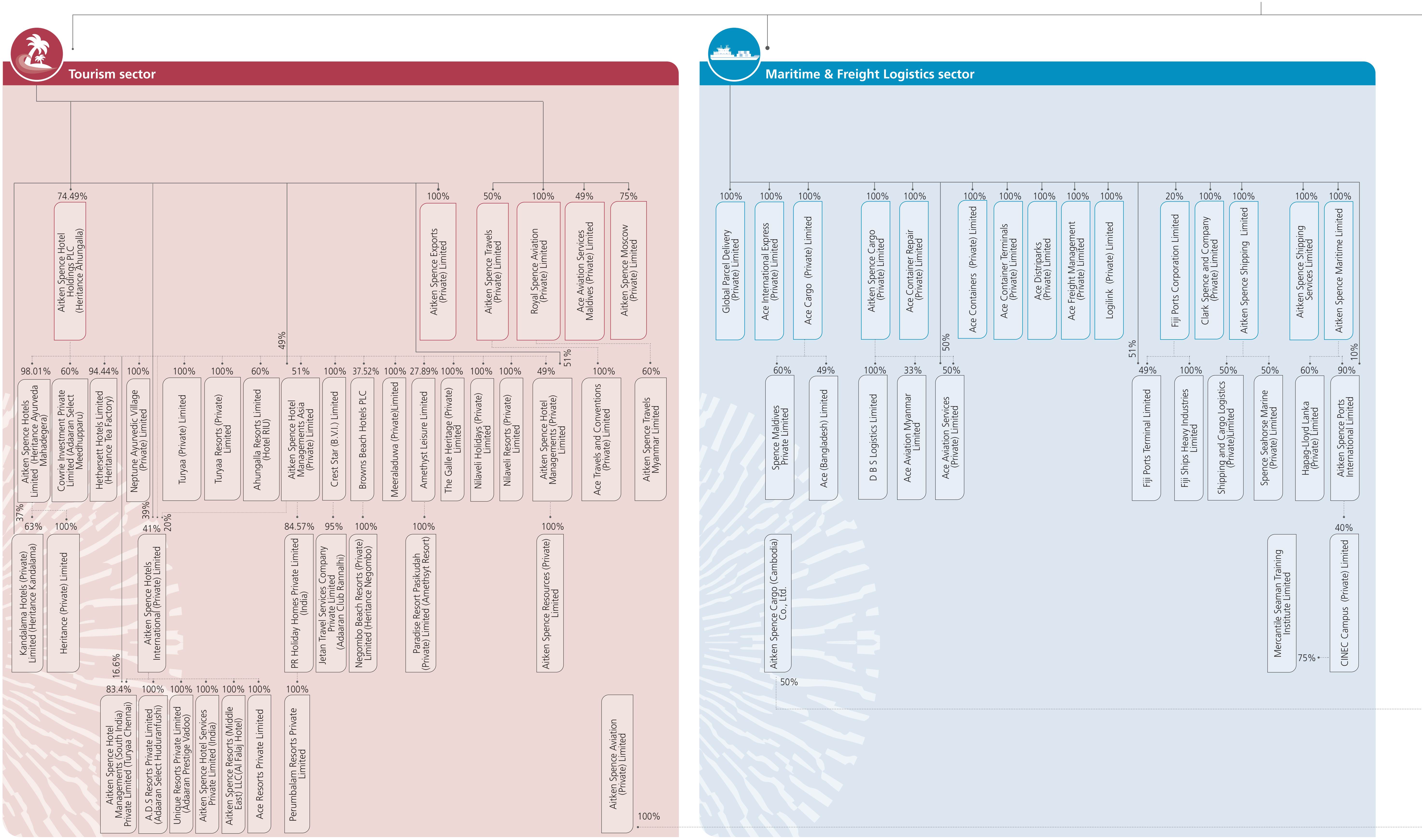
GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Pg 213	None				③⑥❹
	404-2 Programs for upgrading employee skills and transition assistance programs	Pg 212	None				
	404-3 Percentage of employees receiving regular performance and career development reviews	Pg 213	None				
Diversity and equal opportunity							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 215	None			13.15.1*	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pg 216	None			13.15.2*	⑥❶❷❼
	405-2 Ratio of basic salary and remuneration of women to men	Pg 216	None			13.15.3*	⑥❷❼
Non-discrimination							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 207	None			13.15.1*	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Pg 207, 232	None			13.15.4*	⑥❷❸❼
Freedom of association and collective bargaining							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 212	None			13.18.1*	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pg 212	None			13.18.2*	③⑥
Child labour							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 207	None			13.17.1*	
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Pg 207	None			13.17.2*	⑤
Forced or compulsory labour							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 207	None			13.16.1*	
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pg 207	None			13.16.2*	④
Security practices							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 207	None				
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Pg 207	None				①②
Rights of indigenous peoples							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None			13.14.1*	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	Pg 232	None			13.14.2*	①②

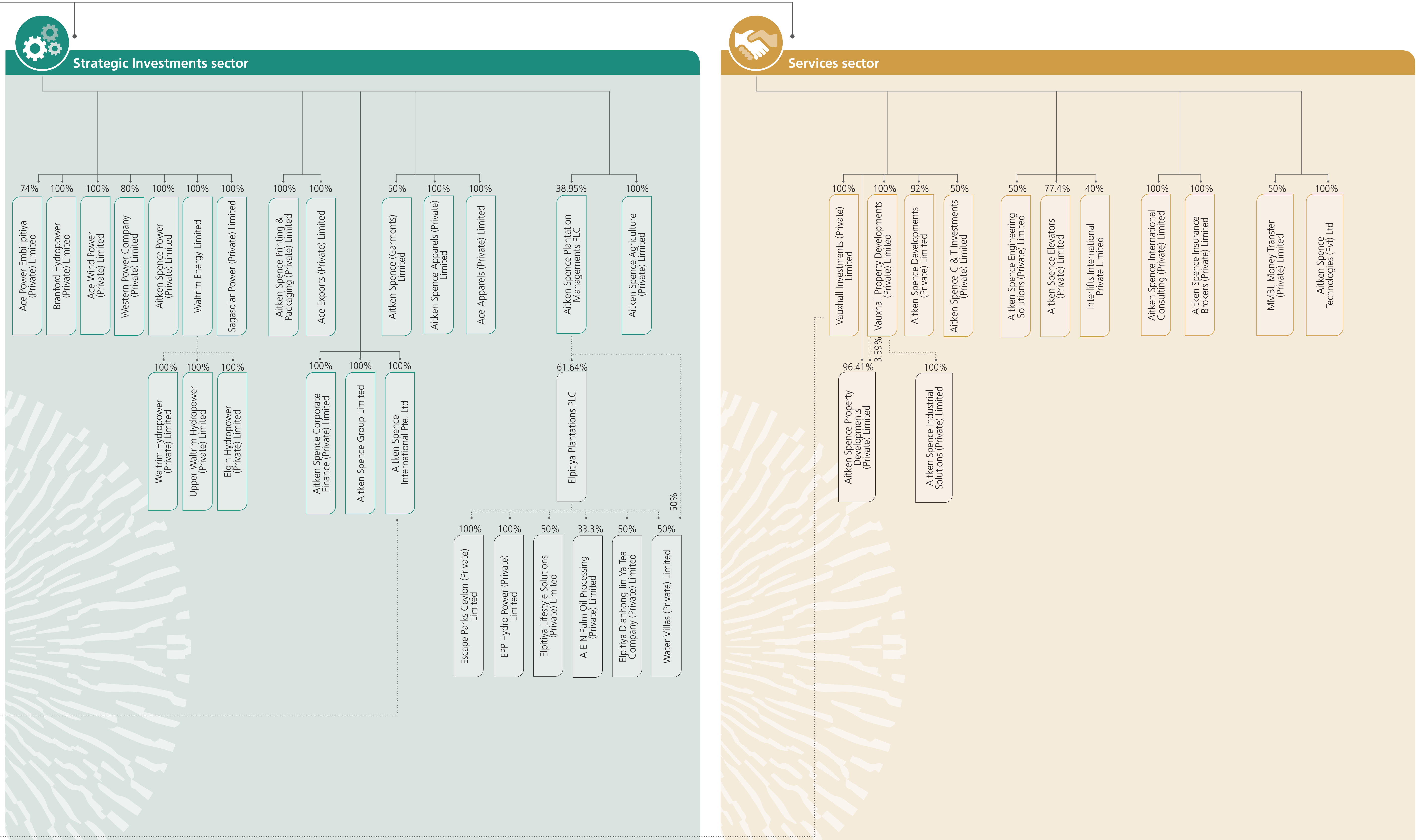
*Note: * denotes that the Sector Standard is only applicable to the plantations segment. More details can also be perused from the annual report of Elpitiya Plantations PLC for the year 2022/23.*

GRI Standard / Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.	Linkage to UNGC and WEP
			Requirement Omitted	Reason	Explanation		
Local communities							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 236	None			13.12.1*	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Pg 236	None			13.12.2*	② ⑥
	413-2 Operations with significant actual and potential negative impacts on local communities	Pg 236	None			13.12.3*	② ⑥
Supplier social assessment							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 236	None				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Pg 236, 243, 251	None				② ③ ⑥
	414-2 Negative social impacts in the supply chain and actions taken	Pg 236	None				② ③ ⑥
Public policy							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None			13.24.1*	
GRI 415: Public Policy 2016	415-1 Political contributions	Pg 232	None			13.24.2*	
Customer health and safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None			13.10.1*	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Pg 232	None			13.10.2*	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Pg 232	None			13.10.3*	
Marketing and labelling							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None				
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	Pg 232	None				
	417-2 Incidents of non-compliance concerning product and service information and labelling	Pg 232	None				
	417-3 Incidents of non-compliance concerning marketing communications	Pg 232	None				
Customer privacy							
GRI 3: Material Topics 2021	3-3 Management of material topics	Pg 232	None				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pg 232	None				

Topics in the applicable GRI Sector Standards determined as not material	
TOPIC	EXPLANATION
13.11 Animal health and welfare	The topic is not applicable as we do not operate in this industry (animal agriculture)

AITKEN SPENCE GROUP STRUCTURE




Strategic Investments sector
74%
Ace Power Embilipitiya (Private) Limited
100%
Branford Hydropower (Private) Limited
100%
Ace Wind Power (Private) Limited
80%
Western Power Company (Private) Limited
100%
Aitken Spence Power (Private) Limited
100%
Waltrim Energy Limited
100%
Sagasolar Power (Private) Limited
100%
Waltrim Hydropower (Private) Limited
100%
Upper Waltrim Hydropower (Private) Limited
100%
Elgin Hydropower (Private) Limited
100%
Aitken Spence Printing & Packaging (Private) Limited
100%
Ace Exports (Private) Limited
100%
Aitken Spence Corporate Finance (Private) Limited
100%
Aitken Spence Group Limited
100%
Aitken Spence International Pte. Ltd
50%
Aitken Spence (Garments) Limited
100%
Aitken Spence Apparels (Private) Limited
100%
Ace Apparels (Private) Limited
38.95%
Aitken Spence Plantation Managements PLC
100%
Aitken Spence Agriculture (Private) Limited
61.64%
Elpitiya Plantations PLC
100%
Escape Parks Ceylon (Private) Limited
100%
EPP Hydro Power (Private) Limited
50%
Elpitiya Lifestyle Solutions (Private) Limited
33.3%
A E N Palm Oil Processing (Private) Limited
50%
Elpitiya Dianhong Jin Ya Tea Company (Private) Limited
50%
50%
Water Villas (Private) Limited
Services sector
100%
Vauxhall Investments (Private) Limited
100%
Vauxhall Property Developments (Private) Limited
92%
Aitken Spence Developments (Private) Limited
50%
Aitken Spence C & T Investments (Private) Limited
96.41%
3.59%
Aitken Spence Property Developments (Private) Limited
100%
Aitken Spence Industrial Solutions (Private) Limited
50%
Aitken Spence Engineering Solutions (Private) Limited
77.4%
Aitken Spence Elevators (Private) Limited
40%
Interlifts International Private Limited
100%
Aitken Spence International Consulting (Private) Limited
100%
Aitken Spence Insurance Brokers (Private) Limited
50%
MMBL Money Transfer (Private) Limited
100%
Aitken Spence Technologies (Pvt) Ltd

GROUP COMPANIES AND DIRECTORATE

AITKEN SPENCE GROUP STRUCTURE

Aitken Spence PLC

Tourism	Maritime & Freight Logistics	Strategic Investments	Services
» Hotels	» Maritime and Port Services	» Power Generation	» Financial & Other Services
» Destination Management	» Freight Forwarding & Courier	» Printing & Packaging	» Elevator Agency
» Airline GSA	» Integrated Logistics	» Apparel Manufacture	» Insurance
	» Airline GSA (Cargo)	» Plantations	» Property Management
	» Education		

SUBSIDIARIES

TOURISM SECTOR

Hotels

» **Ace Resorts Private Limited ***
Owned the Raa Fushi island which was disposed of during the year. The Company will be wound up in the future.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama (Managing Director),
M. Mahdy.

» **A.D.S Resorts Private Limited ***
Owns the Adaaran Select Hudhuran Fushi resort in the Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M. Mahdy.

» **Aitken Spence Exports (Private) Limited ***
Bottles and markets Hethersett bottled water.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama.

» **Aitken Spence Global Operations (Private) Limited**
Amalgamated with Aitken Spence Hotels International (Private) Limited w.e.f. 21.12.2022.

Directors held office until the date of amalgamation:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

» **Aitken Spence Hotel Holdings PLC ***
The holding company of the Group's hotel interests. Owns the Heritance Ahungalla Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena,
Dr. M.P. Dissanayake (Managing Director),
C.M.S. Jayawickrama,
J.M.S. Brito,
R.N. Asirwatham,
C.H. Gomez,
N.J. de Silva Deva Aditya,
G.P.J. Goonewardena,
M.A.N.S. Perera (Appointed w.e.f. 25.04.2023).

» **Aitken Spence Hotel Managements (Private) Limited ***
Manages resorts in Sri Lanka.

Directors:
Ms. D.S.T. Jayawardena (Chairperson and Joint Managing Director),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama (Joint Managing Director).

» **Aitken Spence Hotel Managements (South India) Private Limited**
Owns the 140 roomed hotel property "Turyaa" in Chennai in the Republic of India.

Directors:
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
T.K. Dewanarayana.

» **Aitken Spence Hotel Managements Asia (Private) Limited ***
Manages resorts in the Sultanate of Oman and in the Republic of Maldives.

Directors:
Deshamanya D.H.S. Jayawardena,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

» **Aitken Spence Hotels International (Private) Limited ***
Overseas investment company of the Hotels sector and provides international marketing services to the resorts in the Sultanate of Oman and in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

» **Aitken Spence Hotel Services Private Limited**
Local marketing company of hotels in the Republic of India.

Directors:
C.M.S. Jayawickrama,
T.K. Dewanarayana.

» **Aitken Spence Hotels Limited ***
Holding company of Kandalama Hotels (Private) Limited and Heritance (Private) Limited. Owns the Heritance Ayurveda Resort in Beruwela.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Aitken Spence Resorts (Middle East) LLC***
Owning company of the Al Falaj Hotel in Muscat, Sultanate of Oman.

Authorised Managers:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
C.M.S. Jayawickrema,
A. Perera,
S.N. de Silva,
Ms. N. Sivapragasam.

» **Aitken Spence Resources (Private) Limited ***
The Company did not carry out any operations during the year.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),

** The companies' Financial Statements are audited by Messrs. KPMG, Chartered Accountants*

C.M.S. Jayawickrama,
G.P.J. Goonewardena.

» **Ahungalla Resorts Limited ***
A joint venture company between Aitken Spence Hotel Holdings PLC and RIUSA NED BV and owns the RIU Hotel Sri Lanka in Ahungalla.

Directors:
Dr. M.P. Dissanayake,
J.T. Riu (Managing Director),
L. Riu Guell,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

» **Cowrie Investment Private Limited ***
Owns the Heritance Aarah and Adaaran Select Meedhupparu Resorts in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Chairman and Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

» **Crest Star (B.V.I.) Limited**
The holding company of Jetan Travel Services Company Private Limited.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena (Appointed w.e.f. 14.02.2023),
C.M.S. Jayawickrama.

» **Heritance (Private) Limited ***
Owns a land in Beruwela for a proposed hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Hethersett Hotels Limited ***
Owns the Heritance Tea Factory hotel in Kandapola.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Jetan Travel Services Company Private Limited ***
Owns the Adaaran Club Rannalhi resort in the Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
H. Mohamed,
M. Mahdy.

» **Kandalama Hotels (Private) Limited ***
Owns the Heritance Kandalama Hotel.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Meeraladuwa (Private) Limited ***
Owns the island of Meeraladuwa in Balapitiya.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Neptune Ayurvedic Village (Private) Limited ***
Leases the company owned land and building to Aitken Spence Hotels Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Nilaveli Holidays (Private) Limited ***
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Nilaveli Resorts (Private) Limited ***
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Perumbalam Resorts Private Limited**
A fully owned subsidiary of PR Holiday Homes Private Limited.

Directors:
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
K.K.M. Rawther,
T.K. Dewanarayana,
K.K. Kabeer.

» **PR Holiday Homes Private Limited**
Owns a land in Cochin, in the Republic of India for a future hotel project.

Directors:
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
K.K.M. Rawther,
T.K. Dewanarayana,
K.K. Kabeer.

» **The Galle Heritage (Private) Limited ***
The Company is in the process of being struck off.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Turyaa (Private) Limited ***
Owns the 100 roomed hotel property Turyaa in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Turyaa Resorts (Private) Limited ***
Amalgamated with Turyaa (Private) Limited w.e.f. 01.04.2023.

Directors held office until the date of amalgamation:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Unique Resorts Private Limited ***
Owns the Adaaran Prestige Vadoo resort in the Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M.D.B.J. Gunatilake.

Destination Management

» **Ace Travels and Conventions (Private) Limited ***
The Company did not carry out any operations during the year as the MICE activities are shown under Aitken Spence Travels (Private) Limited.

Directors:
N.A.N. Jayasundera,
A. Hapugoda.

» **Aitken Spence Travels (Private) Limited ***
Sri Lanka's leading destination management company that also manages and handles outbound travel. A joint venture with TUI AG Germany, the largest integrated tourism company in the world.

Directors:
Dr. M.P. Dissanayake (Chairman),
N.A.N. Jayasundera (Managing Director),
J.C. Munar,
L.D. Bailey,
Ms. D.S.T. Jayawardena (Alternate Director to Dr. M.P. Dissanayake).

C.M.S. Jayawickrama,
G.P.J. Goonewardena.

» **Ahungalla Resorts Limited ***
A joint venture company between Aitken Spence Hotel Holdings PLC and RIUSA NED BV and owns the RIU Hotel Sri Lanka in Ahungalla.

Directors:
Dr. M.P. Dissanayake,
J.T. Riu (Managing Director),
L. Riu Guell,
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama.

» **Cowrie Investment Private Limited ***
Owns the Heritance Aarah and Adaaran Select Meedhupparu Resorts in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake (Chairman and Managing Director),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
I.M. Didi,
M. Salih.

» **Crest Star (B.V.I.) Limited**
The holding company of Jetan Travel Services Company Private Limited.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena (Appointed w.e.f. 14.02.2023),
C.M.S. Jayawickrama.

» **Heritance (Private) Limited ***
Owns a land in Beruwela for a proposed hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Hethersett Hotels Limited ***
Owns the Heritance Tea Factory hotel in Kandapola.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Jetan Travel Services Company Private Limited ***
Owns the Adaaran Club Rannalhi resort in the Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
H. Mohamed,
M. Mahdy.

» **Kandalama Hotels (Private) Limited ***
Owns the Heritance Kandalama Hotel.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Meeraladuwa (Private) Limited ***
Owns the island of Meeraladuwa in Balapitiya.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Neptune Ayurvedic Village (Private) Limited ***
Leases the company owned land and building to Aitken Spence Hotels Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Nilaveli Holidays (Private) Limited ***
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Nilaveli Resorts (Private) Limited ***
To operate a future hotel project.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Perumbalam Resorts Private Limited**
A fully owned subsidiary of PR Holiday Homes Private Limited.

Directors:
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
K.K.M. Rawther,
T.K. Dewanarayana,
K.K. Kabeer.

» **PR Holiday Homes Private Limited**
Owns a land in Cochin, in the Republic of India for a future hotel project.

Directors:
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama,
K.K.M. Rawther,
T.K. Dewanarayana,
K.K. Kabeer.

» **The Galle Heritage (Private) Limited ***
The Company is in the process of being struck off.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Turyaa (Private) Limited ***
Owns the 100 roomed hotel property Turyaa in Kalutara.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Turyaa Resorts (Private) Limited ***
Amalgamated with Turyaa (Private) Limited w.e.f. 01.04.2023.

Directors held office until the date of amalgamation:
Ms. D.S.T. Jayawardena (Chairperson),
Dr. M.P. Dissanayake,
C.M.S. Jayawickrama.

» **Unique Resorts Private Limited ***
Owns the Adaaran Prestige Vadoo resort in the Republic of Maldives.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
C.M.S. Jayawickrama (Managing Director),
M.D.B.J. Gunatilake.

Destination Management

» **Ace Travels and Conventions (Private) Limited ***
The Company did not carry out any operations during the year as the MICE activities are shown under Aitken Spence Travels (Private) Limited.

Directors:
N.A.N. Jayasundera,
A. Hapugoda.

» **Aitken Spence Travels (Private) Limited ***
Sri Lanka's leading destination management company that also manages and handles outbound travel. A joint venture with TUI AG Germany, the largest integrated tourism company in the world.

Directors:
Dr. M.P. Dissanayake (Chairman),
N.A.N. Jayasundera (Managing Director),
J.C. Munar,
L.D. Bailey,
Ms. D.S.T. Jayawardena (Alternate Director to Dr. M.P. Dissanayake).

GROUP COMPANIES AND DIRECTORATE

» **Aitken Spence Travels Myanmar Limited**
A joint venture with Golden Ratanapura Company Limited, to handle Destination Management in Myanmar.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
N.A.N. Jayasundera,
Ms. N. Sivapragasam,
U.T. Zin,
H.S. Amaratunga,
U.M.Z. Aung.

AIRLINE GSA

» **Ace Aviation Services Maldives Private Limited ***
General Sales Agent for Sri Lankan Airlines Passenger in the Republic of Maldives.

Directors:
N.A.N. Jayasundera (Chairman),
M. Firaq,
D.L. Warawita,
S. Ratnayake.

» **Aitken Spence Aviation (Private) Limited**
General Sales Agent for Singapore Airlines Limited.

Directors:
Deshamanya D.H.S. Jayawardena,
Ms. D.S.T. Jayawardena,
Dr. M.P. Dissanayake,
V.P. Kudaliyanage.

» **Aitken Spence Moscow (Private) Limited ***
The Company did not carry out any operations during the year.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. J.W.A. Perera (Managing Director),
N.A.N. Jayasundera.

» **Royal Spence Aviation (Private) Limited**
Appointed General Sales Agent for Jazeera Airlines, Go First and Fiji Airways.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam,
N.A.N. Jayasundera.

MARITIME & FREIGHT LOGISTICS SECTOR

Maritime & Port Services

» **Aitken Spence Maritime Limited ***
Holding company of Hapag-Lloyd Lanka (Private) Limited and Aitken Spence Ports International Limited.

Directors:
Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan.

» **Aitken Spence Ports International Limited ***
Port management services which includes managing ports, port operations and providing productivity enhancement and management in ports.

Directors:
Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
D.R.C. Hindurangala,
M.A.M. Isfahan.

» **Aitken Spence Shipping Limited ***
Shipping agency services in all ports in Sri Lanka. Liner, Cruise, Tanker and Casual Caller Agency Representation, Non Vessel Operating Container Carrier (NVOCC) and an international freight forwarder.

Directors:
Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan (Managing Director),
M.A.M. Isfahan.

» **Fiji Ports Terminal Limited**
A joint venture with Fiji Ports Corporation Limited, to operate and manage the two major ports of Suva and Lautoka in the Republic of Fiji.

Directors:
H. Patel (Chairman),
V. Chand,
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
I.S. Cuttilan,
M.A.M. Isfahan,
K. Prasad (Ceased w.e.f. 22.02.2023).

» **Hapag-Lloyd Lanka (Private) Limited ***
Liner agency representation.

Directors:
Capt. D. Bhatia,
L. Sorensen,
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
I.S. Cuttilan.

» **Shipping and Cargo Logistics (Private) Limited ***
Liner agency representation.

Directors:
V.M. Fernando (Chairman),
Dr. M.P. Dissanayake,
K.M. Fernando,
I.S. Cuttilan,
M.A.M. Isfahan,
K.M.T.T.B. Tittawella,
Dr. V.M. Fernando (Appointed as an Alternate Director to Mr. K.M.T.T.B. Tittawella for a period of one year commencing from 28.02.2023 and ending on 28.02.2024).

Freight Forwarding & Courier

» **Ace Aviation Services (Private) Limited**
Operates as General Sales Agent for airline cargo.

Directors:
Dr. M.P. Dissanayake (Chairman),
J.E. Brohier.

» **Ace Cargo (Private) Limited**
Provides international freight forwarding services.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
I.S. Cuttilan,
J.E. Brohier,
M.A.M. Isfahan.

» **Ace Freight Management (Private) Limited**
Undertakes clearing, forwarding and operates an inland container terminal.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» **Ace International Express (Private) Limited**
The Company did not carry out any operations during the year.

Directors:
J.E. Brohier,
M.A.M. Isfahan.

** The companies' Financial Statements are audited by Messrs. KPMG, Chartered Accountants*

» Aitken Spence Cargo (Private) Limited
International freight forwarding and General Sales Agent for airline cargo.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
I.S. Cuttilan,
J.E. Brohier,
M.A.M. Isfahan.

» Aitken Spence Shipping Services Limited *
Shipping agency activities in all ports in Sri Lanka and an international freight forwarder.

Directors:
Dr. M.P. Dissanayake (Chairman),
I.S. Cuttilan,
M.A.M. Isfahan.

» Clark Spence and Company (Private) Limited *
Shipping agency services in all ports in Sri Lanka, NVOCC representation and an international freight forwarder.

Directors:
I.S. Cuttilan,
M.A.M. Isfahan.

» D B S Logistics Limited
International Freight Forwarder - Network Partner for DB Schenker.

Directors:
Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
M.A.M. Isfahan.

» Global Parcel Delivery (Private) Limited
Provides First mile, Middle mile and Last mile logistics solutions.

Directors:
Dr. M.P. Dissanayake (Chairman),
J.E. Brohier,
M.A.M. Isfahan.

» Spence Maldives Private Limited
Provides cargo General Sales Agent representation, international air express, domestic express and freight forwarding services in the Republic of Maldives.

Directors:
Dr. M.P. Dissanayake,
J.E. Brohier (Managing Director),
M.A.M. Isfahan,
M. Firaq,
A. Ghiyas.

Integrated Container Services

» Ace Containers (Private) Limited *
Operates an inland container terminal, container freight station and provides haulage management services.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
A.U. Kodagoda,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» Ace Container Repair (Private) Limited *
Undertakes container repairs, conversions for Garments on Hangers and other purpose built solutions.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» Ace Container Terminals (Private) Limited *
Provides container storage, Customs brokerage, transport and warehousing services.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» Ace Distriparks (Private) Limited *
Provides total integrated logistics services including 3PL and warehouse management services, transportation and distribution services, project cargo logistics, mobile storage solutions and acts as agents for leading liquid cargo operations.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» Logilink (Private) Limited *
Provides container freight station services, storing, distribution and consolidation services for exports.

Directors:
Dr. M.P. Dissanayake (Chairman),
A.J. Gunawardena,
C.A.S. Anthony,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

STRATEGIC INVESTMENT SECTOR

Power Generation

» Ace Power Embilipitiya (Private) Limited
Owns a 100MW thermal plant in Embilipitiya that supplied power to the national grid upto September 28, 2022.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam,
L. Wickremarachchi (Managing Director),
H.G. Balasuriya.

» Ace Wind Power (Private) Limited
Owns and operates a 3MW wind power plant in Ambewela to supply electricity to the national grid.

Directors:
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
L. Wickremarachchi.

» Aitken Spence Power (Private) Limited
Owns and operates a 748kWp rooftop solar power system supplying power to the national grid at the Aitken Spence Printing & Packaging premises in Mawaramandiya.

Directors:
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
L. Wickremarachchi.

» Aitken Spence W E E Recycling (Private) Limited
Has been established to setup an electrical and electronic waste recycling plant with a view to exporting retrieved materials.

Directors:
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
L. Wickremarachchi.

GROUP COMPANIES AND DIRECTORATE

» **Branford Hydropower (Private) Limited**
Owns and operates a 2.5MW hydro power plant in Matale to supply electricity to the national grid.

Directors:
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Elgin Hydropower (Private) Limited ***
Owns and operates a 2.4MW hydropower plant at Lippakelle Estate in Lindula.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Sagasolar Power (Private) Limited ***
Owns and operates a 10MW Ground Mounted Solar Power Plant situated in Hambanthota.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Upper Waltrim Hydropower (Private) Limited ***
Owns and operates a 2.6MW hydropower plant at Waltrim Estate in Lindula.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Waltrim Energy Limited ***
Owns 100% shareholdings of Waltrim Hydropower (Private) Limited, Upper Waltrim Hydropower (Private) Limited and Elgin Hydropower (Private) Limited.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Waltrim Hydropower (Private) Limited ***
Owns and operates a 1.65MW hydropower plant at Waltrim Estate in Lindula.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L. Wickremarachchi.

» **Western Power Company (Private) Limited**
Owns and operates the 10MW Colombo Waste to Energy Power Plant to receive 700 metric tonnes of municipal solid waste from the Colombo Municipal Council and to supply 10MW of electricity to the national grid.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. D.S.T. Jayawardena,
Ms. N. Sivapragasam,
L. Wickremarachchi (Managing Director).

Printing & Packaging

» **Ace Exports (Private) Limited ***
Providing value added printing and packaging solutions to the direct and indirect export markets.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L.N.D. Silva.

» **Aitken Spence Printing & Packaging (Private) Limited ***
Providing value added printing and packaging solutions to the local market.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
L.N.D. Silva.

Apparel Manufacturing

» **Ace Apparels (Private) Limited**
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers mainly in the USA and EU.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
K.L.L. Perera (Appointed w.e.f. 15.06.2022).

» **Aitken Spence (Garments) Limited**
Manufacturer and exporter of high quality apparels to departmental stores and apparel importers primarily in USA and EU.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
K.L.L. Perera (Appointed w.e.f.15.06.2022).

» **Aitken Spence Apparels (Private) Limited**
Manufacturer and exporter of high quality clothing to departmental stores and apparel importers chiefly in USA and EU.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
K.L.L. Perera (Appointed w.e.f.15.06.2022).

Plantation

» **Aitken Spence Agriculture (Private) Limited ***
To cultivate Tropical Fruits for sale in the domestic market and for export.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando.

SERVICES SECTOR

Financial & Other Services

» **Aitken Spence Corporate Finance (Private) Limited***
Provides corporate services including that of corporate finance, treasury, legal, secretarial, internal audit, human resource development, information technology, digital and technological transformation, financial shared services, business development, corporate sustainability and security services to the group companies.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
Ms. N. Sivapragasam (Managing Director).

» **Aitken Spence Group Limited ***
Overall management of the Aitken Spence Group of Companies.

Directors:
Dr. M.P. Dissanayake,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
C.M.S. Jayawickrama,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» **Aitken Spence Technologies (Pvt) Ltd**
The Company did not carry out any operations during the year.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

* *The companies' Financial Statements are audited by Messrs. KPMG, Chartered Accountants*

» **MMBL Money Transfer (Private) Limited***
The Largest Representative for Western Union, MoneyGram and RIA in Sri Lanka.

Directors:
Dr. M.P. Dissanayake (Chairman),
K. Balasundaram,
Ms. N. Sivapragasam,
D.R.C. Hindurangala (Managing Director) (Appointed w.e.f. 01.07.2022),
Ms. J. Moragoda,
M.D.D. Pieris,
B.D.S. Mendis (Managing Director) (Resigned w.e.f. 27.06.2022),
D.R.C. Hindurangala (Alternate Director to B.D.S. Mendis) (Ceased to be an Alternate Director w.e.f. 27.06.2022).

» **Aitken Spence International Pte. Ltd.**
(Incorporated on 17.11.2022)
Acting as the holding company for offshore investments of the Aitken Spence Group and provides business management services to Strategic Business Units of the Group.

Directors:
Dr. M.P. Dissanayake,
Ms. D.S.T. Jayawardena,
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
C.A.S. Lindy.

Elevator Agency

» **Aitken Spence Elevators (Private) Limited ***
A Joint Venture between Aitken Spence PLC and OTIS Elevators Company (Singapore) Private Limited are the exclusive agents and distributors in Sri Lanka and in the Republic of Maldives for sales and marketing, installing, commissioning and maintaining OTIS elevators, escalators and other people moving equipment.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam (Appointed w.e.f. 28.07.2022),
D.R.C. Hindurangala,
S. Joseph,
B.D.S. Mendis (Joint Managing Director) (Resigned w.e.f. 27.06.2022).

» **Interlifts International Private Limited ***
Promoting, installing, testing, commissioning and maintaining OTIS elevators, escalators, moving walkways and related equipment in the Republic of Maldives.

Directors:
Ms. N. Sivapragasam,
D.R.C. Hindurangala (Managing Director),
C.M.S. Jayawickrama.
H. Moosa,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» **Aitken Spence Industrial Solutions (Private) Limited**
Provides maintenance services of escalators, elevators and car park systems. The Company also provides consultancy services for Vertical Transportation Systems and Project Management.

Directors:
Dr. M.P. Dissanayake,
Ms. N. Sivapragasam,
D.R.C. Hindurangala,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

Insurance

» **Aitken Spence International Consulting (Private) Limited ***
Representing the Lloyds & the W.K. Websters Agencies in Sri Lanka & the Maldives, in addition to carrying out Surveys & Claims Settlement for several reputed insurance companies and organisations worldwide. Superintendents for UN World Food Programme in Sri Lanka and in the Republic of Maldives.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
I.S. Cuttilan.

» **Aitken Spence Insurance Brokers (Private) Limited ***
Placement of general insurance business with local Insurers. Providing cost effective insurance solutions and risk management services for Corporates & Retail Customers.

Directors:
Dr. R.M. Fernando,
Ms. N. Sivapragasam,
I.S. Cuttilan.

Property Management

» **Aitken Spence Developments (Private) Limited ***
Property development company.

Directors:
A.J. Gunawardena,
M.A.M. Isfahan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

» **Aitken Spence Property Developments (Private) Limited ***
Owns and operates the multi-storied office complex; "Aitken Spence Tower II" which serves as the Group's corporate office at Vauxhall Street, Colombo 02.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

» **Vauxhall Property Developments (Private) Limited ***
Owns and operates the multi-storied office complex; "Aitken Spence Tower I" at Vauxhall Street, Colombo 02.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando,
Ms. N. Sivapragasam.

» **Vauxhall Investments (Private) Limited**
Owns buildings and land in Bloemendhal Street, Colombo 13.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam.

JOINT VENTURES & ASSOCIATES

TOURISM SECTOR

Hotels

» **Amethyst Leisure Limited ***
The holding company of Paradise Resort Pasikudah (Private) Limited.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Ms. V.J. Senaratne,
C.M.S. Jayawickrama (Appointed w.e.f. 15.09.2022),
B.G.D.L.P. Wijerathne (Appointed w.e.f. 15.09.2022),
J.C. Weerakone (Resigned w.e.f. 20.08.2022).

» **Browns Beach Hotels PLC ***
Owns the property leased out to Negombo Beach Resorts (Private) Limited.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena,
Dr. M.P. Dissanayake,
C.R. Stanislaus,

GROUP COMPANIES AND DIRECTORATE

R.N. Asirwatham,
N.J. de Silva Deva Aditya,
M.A.N.S. Perera (Appointed w.e.f. 02.01.2023),
A.L. Gooneratne (Resigned w.e.f. 30.06.2022).

» **Negombo Beach Resorts (Private) Limited ***
Owns the Heritance Negombo Hotel.

Directors:
Deshamanya D.H.S. Jayawardena (Chairman),
Ms. D.S.T. Jayawardena,
C.M.S. Jayawickrama,
C.R. Stanislaus.

» **Paradise Resort Pasikudah (Private) Limited ***
Owning Company of Amethyst resort, Pasikudah.

Directors:
Ms. D.S.T. Jayawardena (Chairperson),
Ms. V.J. Senaratne,
C.M.S. Jayawickrama (Appointed w.e.f. 15.09.2022),
B.G.D.L.P. Wijerathne (Appointed w.e.f. 15.09.2022),
J.C. Weerakone (Resigned w.e.f. 20.08.2022).

MARITIME & FREIGHT LOGISTICS SECTOR

Maritime & Port Services

» **Fiji Ports Corporation Limited**
Owns and operates all the major ports in the Republic of Fiji in addition to providing navigational services at all Fijian Ports.

Directors:
P. Wise (Appointed w.e.f. 07.02.2023) (Chairman w.e.f. 16.05.2023),
E. Verea (Appointed w.e.f. 24.04.2023),
I. Lutu (Appointed w.e.f. 24.04.2023),
V. Chand,
T. Lomalagi (Appointed w.e.f. 26.09.2022),
A.J. Pal (Appointed w.e.f. 28.02.2023),
N. Chettiar,
Dr. M.P. Dissanayake,
I.S. Cuttilan,
W. Bauleka (Appointed w.e.f. 18.05.2023),
S. Ali (Chairman) (Ceased w.e.f. 18.11.2022),
A. Prasad (Ceased w.e.f. 20.09.2022),
T. Kuruvakadua (Ceased w.e.f. 28.02.2023),
Ms. T. Baravilala (Resigned w.e.f. 04.04.2023),
V.P. Maharaj (Resigned w.e.f. 28.04.2023).

» **Fiji Ships Heavy Industries Limited**
Operates ship and boat building facility, carries out ship repair and maintenance services and is involved in heavy industries in the Republic of Fiji.

Directors:
P. Wise (Appointed w.e.f. 07.02.2023) (Chairman w.e.f. 16.05.2023),
E. Verea (Appointed w.e.f. 24.04.2023),
I. Lutu (Appointed w.e.f. 24.04.2023),
V. Chand,
T. Lomalagi (Appointed w.e.f. 26.09.2022),
A.J. Pal (Appointed w.e.f. 28.02.2023),
N. Chettiar,
Dr. M.P. Dissanayake,
I.S. Cuttilan,
W. Bauleka (Appointed w.e.f. 18.05.2023),
S. Ali (Chairman) (Ceased w.e.f. 18.11.2022),
A. Prasad (Ceased w.e.f. 20.09.2022),
T. Kuruvakadua (Ceased w.e.f. 28.02.2023),
Ms. T. Baravilala (Resigned w.e.f. 04.04.2023),
V.P. Maharaj (Resigned w.e.f. 28.04.2023).

» **Spence Seahorse Marine (Private) Limited ***
Supply of Bunkers and Marine Services at all Sri Lanka Ports.

Directors:
Dr. M.P. Dissanayake,
A.I.T. Hettiarachchi,
Ms. N. Sivapragasam,
P. Weerasekara,
I.S. Cuttilan,
A.I. Hettiarachchi.

Freight Forwarding & Courier

» **Ace (Bangladesh) Limited**
Provides international freight forwarding services in the People's Republic of Bangladesh.

Directors:
Dr. M.P. Dissanayake (Chairman),
A. Rahman (Managing Director),
J.E. Brohier,
C.J. Jirasinha,
Ms. A. Mannan,
Ms. F.R. Ahmed,
Ms. F. Naser.

» **Ace Aviation Myanmar Limited**
International Freight Forwarders.

Directors:
M.Y. Chowdhury,
Ms. D.N.Y. Hlaing,
M.R. Chowdhury,
J.E. Brohier,
M.A.M. Isfahan,
C.J. Jirasinha.

» **Aitken Spence Cargo (Cambodia) Co. Ltd. (Incorporated on 25.01.2023)**
Provides international freight forwarding services.

Directors:
Dr. M.P. Dissanayake (Chairman),
Ms. N. Sivapragasam,
J.E. Brohier,
M. Mehnaz,
R. Arif,
N. Faiqa.

Education

» **CINEC Campus (Private) Limited***
Sri Lanka's largest private maritime and higher education campus.

Directors:
Capt. P.A.P. Peiris (Chairman/ Managing Director),
Dr. M.P. Dissanayake (Co-Chairman),
Ms. N. Sivapragasam (Joint Managing Director),
D. Malais,
E.T. Komrowski,
E.P. Komrowski (Alternate Director to E.T. Komrowski),
I.S. Cuttilan,
R.S. Egodage,
P.S.R. Casie Chitty,
D.T.K.C. Lakindu,
P.M.S. Peiris,
D.R.C. Hindurangala,
Ms. R.D. Nicholas.

» **CINEC Skills (Private) Limited***
The company has ceased its operations and is to be liquidated.

Directors:
Capt. P.A.P. Peiris.

» **Mercantile Seaman Training Institute Limited**
Providing maritime education and training.

Directors:
Capt. P.A.P. Peiris (Chairman/Managing Director),
P.S.R. Casie Chitty,
Ms. N. Sivapragasam,
I.S. Cuttilan,
D.L. Ekanayake.

** The companies' Financial Statements are audited by Messrs. KPMG, Chartered Accountants*

STRATEGIC INVESTMENT SECTOR

Printing and Packaging

» **Serendib Investments Ltd**
Company has ceased its operations.

Directors:
Col. S. Raivoce (Chairman),
A. Ram,
Ms. N. Sivapragasam,
L.N.D. Silva.

PLANTATION

» **A E N Palm Oil Processing (Private) Limited ***
Joint Venture project between Agalawatte Plantations PLC, Elpitiya Plantations PLC and Namunukula Plantations PLC to process Oil Palm Fruit bunches and extract crude palm oil.

Directors:
Dr. M.P. Dissanayake (Re-appointed as Chairman w.e.f. 28.04.2023 for a period of one year),
Dr. R.M. Fernando,
N.S. Yaddehige,
P. de S.A. Gunasekara,
G.P.N.A.G. Gunathilake,
R.P.L. Ramanayake (Appointed w.e.f. 11.01.2023),
M.P.K. Udugampola (Resigned w.e.f. 11.01.2023).

» **Aitken Spence Plantation Managements PLC ***
Managing agents for Elpitiya Plantations PLC.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando (Managing Director),
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
L.N. de S. Wijeyeratne,
B. Bulumulla,
Dr. R.A. Fernando,
A.T.S. Sosa (Alternate Director to Deshamanya Merrill J. Fernando),
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando).

» **EPP Hydro Power (Private) Limited ***
Generates hydro electricity and supply to the national grid.

Directors:
Dr. R.M. Fernando (Chairman),
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
B. Bulumulla.

» **Elpitiya Dianhong Jin Ya Tea Company (Private) Limited ***
A Joint Venture Project with Yunnan Dianhong Group of China to cultivate, process and market specialty teas for overseas market.

Directors:
Dr. R.M. Fernando (Chairman),
B. Bulumulla (Managing Director/ CEO),
W. Hao,
T. Wang (Alternate Director to W. Hao).

» **Elpitiya Lifestyle Solutions (Private) Limited ***
The company has ceased its operations and is to be liquidated.

Directors:
S. Pathiratne (Chairman),
Dr. R.M. Fernando (Managing Director),
Malik J. Fernando,
B. Bulumulla (Alternate Director to Dr. R.M. Fernando),
D.A. de S. Wickremanayake,
Ms. C.D. Piyaratne,
A. Kanthasamy.

» **Elpitiya Plantations PLC**
The Company own and manage 13 estates in the Pundaluoya, Pussellawa and Galle regions with a total land in extent of 8,830.52 hectares and engaged in cultivation of Tea, Rubber, Oil Palm, Cinnamon, Coconut, Fruit Crops, Commercial Forestry and in High Valued Horticulture Projects.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando (Managing Director),
B. Bulumulla (Joint Managing Director – w.e.f. 01.04.2023),
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
Dr. S.A.B. Ekanayake,
S.C. Ratwatte,
D.A. de S. Wickremanayake,
Ms. D.A.S. Dahanayake,
Ms. M.D.A. Perera (Alternate Director to Malik J. Fernando),
A.T.S. Sosa (Alternate Director to Deshamanya Merrill J. Fernando).

» **Escape Parks Ceylon (Private) Limited**
Develop and operate an Adventure Theme Park at Diviturai Estate to promote Tourism in the region.

Directors:
Dr. M.P. Dissanayake (Chairman),
Dr. R.M. Fernando.

» **Water Villas (Private) Limited ***
Intended Hotel Operator.

Directors:
Dr. R.M. Fernando,
Deshamanya Merrill J. Fernando,
Malik J. Fernando,
D.A. de S. Wickremanayake,
B. Bulumulla.

SERVICES SECTOR

Financial & Other Services

» **Aitken Spence C & T Investments (Private) Limited ***
The Corporate has ceased operations due to circumstances beyond its control.

Directors:
A.Y. Atapattu (Chairman),
Dr. M.P. Dissanayake,
S. Chandramohan,
Dr. R.M. Fernando,
S.G. Atapattu,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

ELEVATOR

» **Aitken Spence Engineering Solutions (Private) Limited ***
Joint Venture between Aitken Spence PLC and Mr. Balamurugan Kaliamoorthy incorporated to supply, install, test, commission and maintain equipment of any kind in the field of Air-conditioning, fire and security.

Directors:
D.R.C. Hindurangala,
B. Kaliyamoorthy,
Ms. N. Balamurugan,
B.D.S. Mendis (Resigned w.e.f. 27.06.2022).

COMPANIES UNDER LIQUIDATION

» **Spence International (Private) Limited**
Liquidation commenced on 19.03.2019.

» **Western Power Holdings (Private) Limited**
Liquidation commenced on 24.03.2023.

» **Aitken Spence Overseas Travel Services (Private) Limited**
Liquidation commenced on 16.03.2022.

GLOSSARY OF TERMS

ABCs

Aitken Spence Behavioural Competency framework.

ALPHA

Accelerated Leadership Programme for High Achievers, a Learning & Development programme for the Group's First Time Managers.

Asset Turnover

Total revenue divided by average total assets.

ASSM

Aitken Spence School of Management, the Group's Learning & Development arm.

Assets Held for Sale

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

Available-for-Sale

Any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.

AWDR

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest-bearing deposits of commercial banks and the corresponding interest rates.

AWPLR

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

Basis Point

One hundredth of a percentage point. i.e.1/100

Capital Employed

Shareholders' funds plus non-controlling interests and total interest bearing loans and borrowings.

Capital Expenditure

The total of additions to property, plant & equipment, intangible assets, investment property and the purchase of outside investments.

Capital Reserves

Reserves identified for specific purposes and considered not available for distribution.

Carrying Amount

The amount at which as asset is recognised in the statement of financial position.

Cash Ratio

Cash and short-term deposits divided by current liabilities.

Collateral

Monetary or non-monetary asset pledged or received as security in lieu of a loan or credit terms obtained or provided.

Collective Impairment provision

Impairment provision is measured on a collective basis for homogeneous groups of debtors that are not considered individually significant.

Contract

An agreement between two or more parties that has clear economic consequences that the parties have little, if any discretion to avoid usually because the agreement is enforceable by law.

Contract Asset

An entity's right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time.

Contract Liability

An entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or the amounts due) from the customer.

Credit Risk

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance with the agreed terms and conditions.

Currency

An agreement between two parties to exchange two currencies at a certain exchange rate at a certain time in the future.

Current Ratio

Current assets divided by current liabilities.

Debenture

A long-term debt instrument issued by a corporate.

Debt/Equity Ratio

Non-current interest-bearing borrowing divided by the total equity and minority interest. It shows the extent to which the firm is financed by debt.

Derivatives

Financial contracts whose values are derived from the values of underlying assets.

DE&I

Diversity, Equity & Inclusion.

Dividend Payout

Dividends per share divided by earnings per share. This indicates the percentage of the Company's earning that is paid out to shareholders in cash.

Dividend Cover

Net profit attributable to the ordinary shareholders divided by the total dividend.

Dividend Yield

Dividend per share divided by the market value of a share.

Dividends per Share (DPS)

Dividends paid and proposed, divided by the number of issued shares, which are ranked for those dividends.

DRR

Disaster Risk Reduction.

Earnings per Share (EPS)

Net profit for the period attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period.

EBITDA

Earnings (inclusive of equity accounted investees) before interest expenses, tax, depreciation, and amortisation.

Economic life (of an asset)

Either the period over which an asset is expected to be economically usable by one or more users or the number of production or similar units expected to be obtained from an asset by one or more users.

EDP

Executive Development Programme, a Learning & Development programme for the Group's Senior Leaders.

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.

Employee Attrition Rate

Number of resignations/Average number of employees *100

EPZ

Export Processing Zone.

Equity Instruments

A contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

EURIBOR

The Euro Interbank Offered Rate (EURIBOR) is a daily reference rate. It is the average interest rates at which Eurozone banks borrow unsecured funds from counterparties in the Euro interbank market.

Expected Credit Losses

The weighted average of credit losses with the respective risks of a default occurring as the weights.

Fair Value

The amount at which an asset is exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

Fair Value Through Other Comprehensive Income (FVOCI)

Financial instruments that are held for trading and measured at fair value through other comprehensive income.

Fair Value Through Profit or Loss (FVPL)

Financial instruments that are held for trading and are designated as at fair value through profit and loss.

Financial Asset

Any asset that is cash or an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

Financial Instruments

Any contract that gives rise to financial assets of one entity and financial liability or equity instrument of another entity.

Financial Leverage

Total average assets divided by total average equity.

Financial Liability

A contractual obligation to deliver cash or another financial asset to another entity or exchange financial instruments with another entity under conditions that are potentially unfavourable.

Forward Exchange Contract

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

GHGs

Gases in the Earth's atmosphere that trap heat and contribute to the greenhouse effect, leading to global warming and climate change.

Goodwill

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

Gross Treasury Bill Rate

Weighted average treasury bill rate gross of withholding tax published by Central Bank of Sri Lanka at the auction immediately preceding an interest determination date.

GRI

Global Reporting Initiative.

Guarantees

A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee fails to fulfil the contractual obligations under that said contract.

Held-to-Maturity

A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

ILO

International Labour Organisation.

IMF

International Monetary Fund.

Impact (in the context of GRI Standards)

Effect an organisation has on the economy, the environment, and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development. It does not refer to an effect upon an organisation, such as a change to its reputation.

Impairment

Occurs when recoverable amount of an asset is less than the carrying amount.

Intangible Assets

An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services for rental to others or for administrative purposes.

GLOSSARY OF TERMS

Interest Cover

Operating profit before interest divided by the net interest.

Interest Rate Swap

An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

IRCSL

Insurance Regulatory Commission of Sri Lanka.

Investment Property

Investments in land and buildings that are held to earn rentals or for capital appreciation or for both.

JCC

Joint Consultative Committees.

Lease

A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

LIBOR

The London Inter Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

Liquidity Risk

The risk of an entity having constrains to settle its financial liabilities.

Loans and receivables

A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

Local (in the context of sustainability programmes)

the immediate community within a 35 to 45 km radius of our operations outside Colombo. For operations outside Sri Lanka, 'local' would refer to the local community of that country.

Loss Given Default (LGD)

The magnitude of the loss in the event of a default.

Market Capitalisation

The number of ordinary shares in issue multiplied by the market price per share as at a given date.

Market Risk

Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Material Topics

Topics that represent an organisation's most significant impacts on the economy, environment, and people, including impacts on their human rights.

MCLR

Marginal Cost of Funds based Lending Rate is published by Reserve Bank of India, used as the reference rate by financial institutions to set the interest rate of Indian Rupee denominated lending products.

Net Assets per Share

Total assets less total liabilities including minority interest divided by the number of shares in issue as at 31st March.

Net Profit Margin

Net profit for the period divided by the revenue.

Net Zero Emissions

A balance between the amount of greenhouse gases emitted into the atmosphere and the amount removed or offset, resulting in no additional contribution to global warming.

Non-controlling Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interest which are not owned, directly or indirectly through subsidiaries, by the parent.

OHS

Occupational Health & Safety.

Operating Profit Margin (EBIT Margin)

Earnings before interest and tax divided by revenue.

Past service Cost

Past Service Cost is the change in the Present value of the defined Benefit obligation (PVDBO) for employee service in prior periods, resulting in the current period from the introduction of or changes to, post-employment benefits or other long term employee benefits.

PPE

Personal Protective Equipment

Price Earnings Ratio (PER)

Market value per share divided by the earnings per share.

Price to Book Value Ratio (PBV)

Market price per share divided by net assets per share.

Probability of Default (PD)

Estimate of likelihood that a borrower will be unable to meet debt obligations.

Quick Asset Ratio

Total current assets less inventories divided by total current liabilities.

Return on Assets.

Earnings before finance cost and tax divided by the average total assets.

Return on Capital Employed (ROCE)

Earnings before finance expense and tax as a percentage of average capital employed.

Return On Equity

Profit attributable to equity holders of the company divided by average equity less non-controlling interest at the beginning and at the end of the financial year.

Return on Equity Accounted Investments

Share of profit of equity-accounted investees (net of tax) divided by the average investment in equity-accounted investees at the beginning and end of the financial year.

Revaluation Surplus

Surplus amount due to revaluing assets in accordance with its fair value.

Revenue Reserves

Reserves set aside for future distributions and investments.

Right-of-use asset

An asset that represents a lessee's right to use an underlying asset for the lease term.

RTE

Roots To Excellence, the Group's new employee orientation programme.

SBU

Strategic Business Unit.

SDG

Sustainable Development Goals.

SKU

Stock Keeping Unit.

SOFR

The Secured Overnight Financing Rate (SOFR) is a reference rate which has been established as the preferred alternative rate for the USD London Interbank Offered Rate (LIBOR). SOFR is commonly being used for US dollar-denominated derivatives, loans, and other financial transactions in place of the LIBOR. SOFR is calculated by the New York Federal Reserve based on transaction data from the overnight Repurchase (repo) market.

Spence LEAD

Leadership Excellence & Accelerated Development, a Learning & Development programme for the Group's Deputy General Managers and General Managers.

Stand-alone Selling Price

The price at which an entity would sell a promised good or service separately to a customer.

SVM

Semi-Virtual Mobility, the Group's remote working framework for targeted office-based executives.

Total Equity

Total of share capital, reserves, retained earnings and non-controlling interest.

Total Shareholder Return (TSR)

The difference between the closing and opening share price plus the dividend pertaining to the year divided by the opening share price.

Treasury Bill/T-Bill

Short term debt instrument of 3,6 or 12 months issued by the Government of Sri Lanka.

Treasury Bond/T-Bond

Medium to long term debt instrument of 1 year and above, issued by the Government of Sri Lanka which carries a coupon (interest) paid on semi-annual basis.

Uncertain tax treatment

A tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under tax law.

Unquoted Shares

Shares which are not listed in the Stock Exchange.

UNCTAD

United Nations Conference on Trade and Development.

UNWTO

United Nations World Tourism Organisation.

VoS

Voice of Spensonians, the Group's employee opinion survey.

WHO

World Health Organisation.

Working Capital

Current assets less current liabilities.

Yield to Maturity

The discount rate that equals present value of all expected interest payment and the repayment of principal.

Young Managers

Executives in managerial positions (Assistant Manager and above), and under 35 years of age.

CORPORATE INFORMATION

Name

Aitken Spence PLC

Legal Form

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

Company Registration Number

PQ 120

Registered Office

No. 315, Vauxhall Street Colombo 2, Sri Lanka

Directors

Deshamanya D.H.S. Jayawardena
Chairman

Ms. D.S.T. Jayawardena

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

Dr. R.M. Fernando

Mr. J.M.S. Brito

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya

Mr. R.N. Asirwatham

Mr. C.R. Jansz
(Appointed w.e.f. 14.02.2023)

Mr. M.A.N.S. Perera
(Appointed w.e.f 25.04.2023)

Mr. G.C. Wickremasinghe
(Resigned w.e.f. 30.11.2022)

Alternate Directors

Mr. M.A.N.S. Perera
Alternate Director to Mr. N.J. de S. Deva Aditya
(Appointed w.e.f 02.01.2023)

Mr. A.L. Gooneratne
Alternate Director to Mr. N.J. de S. Deva Aditya
(Resigned w.e.f. 01.07.2022)

Audit Committee

Mr. R.N. Asirwatham
Chairman

Mr. J.M.S. Brito

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera
(Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01.07.2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02.01.2023)

Mr. G.C. Wickremasinghe
(Resigned w.e.f. 30.11.2022)

Related Party Transactions Review Committee

Mr. R.N. Asirwatham
Chairman

Mr. J.M.S. Brito

Mr. C.H. Gomez

Mr. N.J. de S. Deva Aditya/Mr. M.A.N.S. Perera
(Mr. N.J. de S. Deva Aditya's Alternate Director Mr. A.L. Gooneratne resigned w.e.f 01.07.2022 and Mr. M.A.N.S. Perera was appointed as the Alternate Director to Mr. N.J. de S. Deva Aditya w.e.f 02.01.2023)

Mr. G.C. Wickremasinghe
(Resigned w.e.f. 30.11.2022)

Remuneration Committee

Mr. R.N. Asirwatham
(Appointed as the Chairman of the Committee w.e.f. 23.03.2023)

Mr. C.H. Gomez

Mr. J.M.S. Brito
(Appointed w.e.f. 23.03.2023)

Mr. G.C. Wickremasinghe
(Resigned w.e.f. 30.11.2022)

Nomination Committee

Mr. R.N. Asirwatham
(Appointed as the Chairman of the Committee w.e.f. 23.03.2023)

Deshamanya D.H.S. Jayawardena

Mr. J.M.S. Brito
(Appointed w.e.f. 23.03.2023)

Mr. G.C. Wickremasinghe
(Resigned w.e.f. 30.11.2022)

Secretaries

Aitken Spence Corporate Finance (Private) Limited
No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

T: (+94 11) 2308308
F: (+94 11) 2445406
E: benji@aitkenspence.lk,
comsec@aitkenspence.lk

Registrars

Central Depository Systems (Private) Limited
Ground Floor, M&M Center,
No. 341/5, Kotte Road,
Rajagiriya,
Sri Lanka.

T: (+94 11) 2356456
F: (+94 11) 2440396
E: registrars@cse.lk
Web: www.cds.lk

Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
P.O Box 186,
Colombo 03,
Sri Lanka.

Holding Company

Melstacorp PLC

Contact Details

No. 315, Vauxhall Street,
Colombo 02,
Sri Lanka.

T: (+94 11) 2308308
F: (+94 11) 2445406
Web: www.aitkenspence.com

NOTICE OF MEETING

Notice is hereby given that the Seventy First (71st) Annual General Meeting of Aitken Spence PLC will be held at No. 315, Vauxhall Street, Colombo 02 on Friday, 30th June 2023 at 10.00 a.m., as a virtual meeting using a digital platform for the following purposes:-

1. To receive and consider the Annual Report of the Board of Directors together with the Financial Statements for the year ended 31st March 2023 and the Report of the Auditors' thereon.

2. To declare a first and final dividend as recommended by the Directors.

3. To re-appoint Deshamanya D.H.S. Jayawardena who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Deshamanya D.H.S. Jayawardena who is 80 years of age and that he be re-appointed a Director of the Company."

4. To re-appoint Mr. R.N. Asirwatham who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. R.N. Asirwatham who is 80 years of age and that he be re-appointed a Director of the Company."

5. To re-appoint Mr. J.M.S. Brito who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J.M.S. Brito who is 76 years of age and that he be re-appointed a Director of the Company."

6. To re-appoint Mr. N.J. de S. Deva Aditya who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. N.J. de S. Deva Aditya who is 75 years of age and that he be re-appointed a Director of the Company."

7. To re-appoint Mr. C.R. Jansz who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. C.R. Jansz who is 70 years of age and that he be re-appointed a Director of the Company."

8. To re-appoint Dr. R.M. Fernando who is over the age of 70 years, as a Director by passing the following Resolution as an Ordinary Resolution:

   "IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Dr. R.M. Fernando who is 70 years of age and that he be re-appointed a Director of the Company."

9. To re-elect Mr. C.H. Gomez who retires in terms of Article 83 and 84 of the Articles of Association, as a Director.

10. To elect Mr. M.A.N.S. Perera who retires in terms of Article 90 of the Articles of Association of the Company, as a Director.

11. To authorise the Directors to determine contributions to charities.

12. To re-appoint the retiring External Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

13. To consider any other business of which due notice has been given.

By Order of the Board

Aitken Spence PLC

Aitken Spence Corporate Finance (Private) Limited

Secretaries

06th June 2023

Colombo

Note : Further instructions on the virtual AGM are noted on the reverse hereof

NOTICE OF MEETING

Note:

1. The Annual General Meeting of Aitken Spence PLC will be held as a virtual meeting by participants joining in person or by proxy, through audio or audio visual means in the manner specified below:

i. Shareholder Participation

(a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

(b) The shareholders may also appoint any other person other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through **audio or audio visual means only**.

(c) The shareholders who wish to participate at the meeting will be able to join the meeting through **audio or audio visual means.** To facilitate this process, the shareholders are required to furnish their details by perfecting Annexure II to the circular to shareholders and forward same to reach the Company Secretaries via e-mail to nurani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 02 **not less than five (05) days before the date of the meeting so that the meeting login information** could be forwarded to the e-mail addresses so provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

(d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to nurani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2 **not less than forty eight (48) hours before the time fixed for the meeting**.

ii Shareholders' Queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretaries via e-mail to nurani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2 not less than five (5) days before the date of the meeting. This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. Should the first and final dividend recommended be approved by the Shareholders at the Annual General Meeting:

(a) it is proposed to dispatch the dividends by 24th July 2023;

(b) for the shareholders who have provided accurate dividend disposal instructions with bank account details to the Central Depository Systems (Private) Limited, dividends of such shareholders will be credited directly to the specified bank accounts by 11th July 2023.

In accordance with the Listing Rules of the Colombo Stock Exchange, the shares of the Company will trade ex-dividend with effect from 04th July 2023.

3. The Annual Report of the Company for the financial year 2022/2023 will be available for perusal on the Company website www.aitkenspence.com, the Colombo Stock Exchange website www.cse.lk and the social media sites of the Company.

FORM OF PROXY

I/We .... of

.... being a shareholder/shareholders of

Aitken Spence PLC hereby appoint .... of

.... (whom failing),

Deshamanya Don Harold Stassen Jayawardena	(whom failing),
Ms. Don Stasshani Therese Jayawardena	(whom failing),
Dr. Mahinda Parakrama Dissanayake	(whom failing),
Dr. Rohan Marshall Fernando	(whom failing),
Mr. Joseph Michael Suresh Brito	(whom failing),
Mr. Charles Humbert Gomez	(whom failing),
Mr. Niranjan Joseph de Silva Deva Aditya	(whom failing),
Mr. Rajanayagam Nalliah Asirwatham	(whom failing),
Mr. Cedric Royle Jansz	(whom failing),
Mr. Mellawatantrige Anton Niroshan Sampath Perera,	

as my/our Proxy to represent me/us to speak and to vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 30th June 2023 at 10.00 a.m., and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/we the undersigned hereby authorise my/our proxy to vote on my/our behalf in accordance with the preference indicated below:

No.	Resolution	For	Against
1.	To declare a first and final dividend as recommended by the Directors		
2.	To re-appoint Deshamanya D.H.S. Jayawardena who is over the age of 70 years		
3.	To re-appoint Mr. R.N. Asirwatham who is over the age of 70 years		
4.	To re-appoint Mr. J.M.S. Brito who is over the age of 70 years		
5.	To re-appoint Mr. N.J. de S. Deva Aditya who is over the age of 70 years		
6.	To re-appoint Mr. C.R. Jansz who is over the age of 70 years		
7.	To re-appoint Mr. R.M. Fernando who is over the age of 70 years		
8.	To re-elect Mr. C.H. Gomez who retires in terms of Article 83 and 84 of the Articles of Association of the Company		
9.	To elect Mr. M.A.N.S. Perera who retires in terms of Article 90 of the Articles of Association of the Company		
10.	To authorise the Directors to determine contributions to charities		
11.	To re-appoint the retiring External Auditors, Messrs. KPMG, Chartered Accountants and authorise the Directors to determine their remuneration		

Signed this .... day of June Two Thousand and Twenty Three.

....

Shareholder's Signature/(s)

....

Shareholder's NIC / Folio No.

....

Proxy holder's NIC No.

Note : Instructions as to completion are noted on the reverse hereof

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association/ Constitutional documents (as applicable).
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his/her appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to nurani@aitkenspence.lk or facsimile on +94 11 2445406 or by post to the registered address of the Company No. 315, Vauxhall Street, Colombo 2, not less than forty eight (48) hours before the time fixed for the meeting.

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s : ....

Folio No. : ....

E-mail address of the Shareholder/(s) or proxy holder
(other than a Director appointed as proxy) : ....

Mobile No. : ....

Fixed Line : ....

AITKEN SPENCE PLC
| SHAREHOLDER FEEDBACK FORM

Name (Optional) : ....

Address (Optional) : ....

....

Number of shares held (Optional) : ....

Please rate the following areas (where applicable) on a scale of 1 to 5 where 1 is the lowest to 5 being the highest

		Lowest 1	2	3	4	Highest 5
1.	**Business Development**					
a)	Quality and presentation of the Annual Report	☐	☐	☐	☐	☐
b)	Usefulness of the information in the interim financial statements	☐	☐	☐	☐	☐
c)	Likelihood of the financial information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
d)	Likelihood of the environmental information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
e)	Likelihood of the social information in the Annual Report to influence investment decisions	☐	☐	☐	☐	☐
f)	Satisfaction with the risk management strategies of the Company	☐	☐	☐	☐	☐
2.	**Corporate Communication**					
a)	Quality of Group communications appearing in traditional media (newspapers, radio, television).	☐	☐	☐	☐	☐
b)	Quality of Group communications appearing in emerging and new media (social media, web).	☐	☐	☐	☐	☐
c)	Satisfaction with the frequency and volume of Group communications appearing in mass media channels (newspapers, radio, television)	☐	☐	☐	☐	☐
d)	Accessibility and availability of information related to the Group in mass media channels	☐	☐	☐	☐	☐
e)	Quality of service and information provided at stakeholder contact channels (web, general line, front office/ reception)	☐	☐	☐	☐	☐
f)	Satisfaction with the contact channels available for queries and feedback	☐	☐	☐	☐	☐
3.	**Human Resources**					
a)	Satisfaction with the conduct of Group employees	☐	☐	☐	☐	☐
b)	Competency of Group employees based on your recent interactions.	☐	☐	☐	☐	☐
c)	Access to Human Resources (HR) related information	☐	☐	☐	☐	☐
4.	**Sustainability**					
a)	Satisfaction with the strategies developed for economic sustainability	☐	☐	☐	☐	☐
b)	Satisfaction with the commitment of the Group towards environmental conservation	☐	☐	☐	☐	☐
c)	Satisfaction with the commitment of the Group towards social empowerment and community development	☐	☐	☐	☐	☐
d)	Ethical conduct of the Group in business activities	☐	☐	☐	☐	☐

AITKEN SPENCE PLC | SHAREHOLDER FEEDBACK FORM

Please tick more than one where applicable:

5. What areas of the following business activities are you interested in receiving more information regarding via Group communications?

a) Sustainability initiatives ☐

b) Reporting processes ☐

c) Internal operations ☐

d) New business initiatives ☐

e) Strategic investments ☐

6. What channels of communication are preferred when receiving Group related information?

a) Web ☐

b) Newspapers ☐

c) Electronic media ☐

d) Social media ☐

e) Mobile ☐

7. Out of the following, what areas of sustainability do you feel Aitken Spence Group should focus more on?

a) Energy ☐

b) Water ☐

c) Biodiversity ☐

d) Waste management ☐

e) Resource efficiency ☐

f) GHG emission reduction ☐

g) Social empowerment ☐

h) Infrastructure development ☐

i) Education ☐

The completed Feedback Form could be emailed to info@aitkenspence.lk or posted to reach the Company Secretaries at No. 315, Vauxhall Street, Colombo 02, Sri Lanka.

You could also directly send your feedback by accessing this form on **aitkenspence.com/feedback.**

Designed & produced by
emagewise

aitkenspence.com

Aitken Spence PLC

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