



LKAS 24 Related Party Disclosures

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Content

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- ▶ Definition and application: What is a Related Party?
- ▶ Disclosures
- ▶ Illustrative examples: discussion

Why is there a standard for Related Party Disclosures?

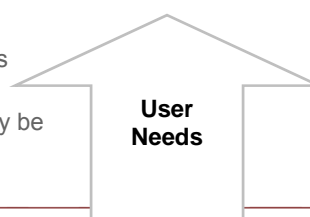
Objective:

- ▶ To ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its **financial position and profit or loss** may have been affected by :
 - ▶ the *existence* of related parties and
 - ▶ by *transactions* and
 - ▶ *outstanding balances*, and
 - ▶ *commitments*, with such parties.

Purpose

Preparers

- ▶ Related party relationships are a normal feature of commerce and business.
- ▶ Related parties may enter into transactions that unrelated parties would not.
- ▶ The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties.



Disclosures

What is the effect of Related party relationships and transactions on the financial statements?
(Financial performance, On and Off Balance Sheet impact)

Users

What is a Related Party Transaction?

- ▶ A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

What is a RP under LKAS 24?

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

- ▶ **(a) A person or a close member of that person's family is related to a reporting entity if that person:**
 - ▶ (i) has control or joint control of the reporting entity;
 - ▶ (ii) has significant influence over the reporting entity; or
 - ▶ (iii) is a member of the key management personnel of the reporting entity OR of a parent of the reporting entity.

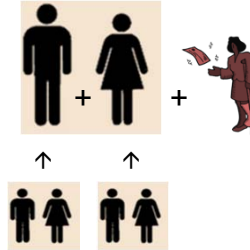
continued.....

The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in SLFRS 10, SLFRS 11 *Joint Arrangements* and LKAS 28 *Investments in Associates and Joint Ventures* respectively and are used in this Standard with the meanings specified in those SLFRSs.

Close members of the family of a person (CMF)

- ▶ Close members of the family of a person are those family members *who may be expected to influence, or be influenced by*, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.



- ▶ 'Children' and 'Partner' not defined !
- ▶ Other family members such as parents, brothers, sisters could also be included, particularly where they have been influenced by or had influence over the individual in their dealings with the entity.

Key management personnel (KMP)

- ▶ Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.



- ▶ Encompass other individuals that are not directors of the entity and parents.
- ▶ Individuals concerned must apparently have the authority and responsibility for planning, directing and controlling the activities
- ▶ KMPs can be found outside the boardroom !

????

41 Related party transactions

Related parties of the Group and HSBC Holdings include subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or jointly controlled by Key Management Personnel or their close family members.

HSBC HOLDINGS PLC
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Particulars of transactions with related parties, disclosed pursuant to the requirements of IAS 24 'Related Party Disclosures', are tabulated below. The disclosure of the year-end balance and the highest amounts outstanding during the year is considered to be the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Holdings, being the Directors and Group Managing Directors of HSBC Holdings.

Illustrative Notes to the Financial Statements



What is a RP under LKAS 24? (continued)

- **(b) An entity** is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Continued.....

What is a RP under LKAS 24? (continued)

- **(b) An entity** is related to a reporting entity if any of the following conditions applies: (continued)
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity**

Continued

Related Party Definition: LKAS 24

► In summary RP definition includes:

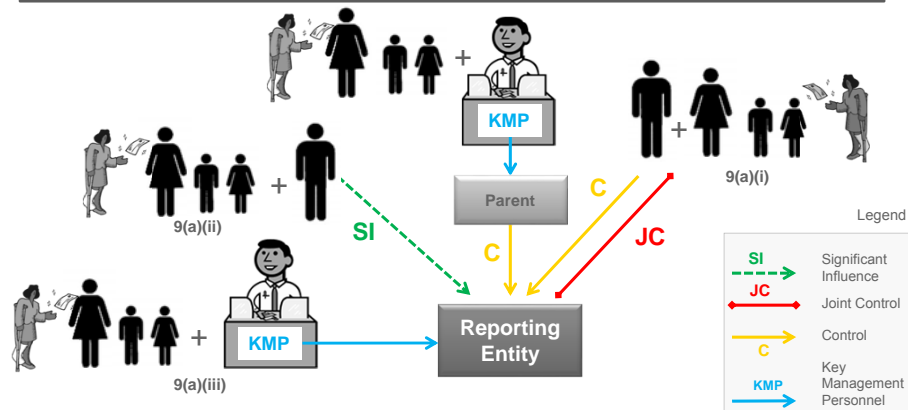
1. **Persons (person + close family member)**
2. **Entities (incorporated or otherwise)**
 - a) That controls, having significant influence or joint controls the Reporting Entity (upstream)
 - b) That is controlled, subject to significant influenced or joint controlled by the Reporting Entity (downstream)
3. **Entities connected with persons (person + close family member)**
 - a) Entities connected due to control or joint control
 - b) Entities connected due to KMP relationship

1. Persons

► LKAS 24 paragraph:

9 (a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has **Control (C)** or **Joint Control (JC)** over the reporting entity;
- (ii) has **Significant Influence (SI)** over the reporting entity; or
- (iii) is a member of the **Key Management Personnel (KMP)** of the Reporting Entity or of a parent of the Reporting Entity.



Related Party Definition: LKAS 24

- In summary RP definition includes:
1. **Persons (person + close family member)**
 2. **Entities (incorporated or otherwise)**
 - a) That controls, having significant influence or joint controls the Reporting Entity (upstream)
 - b) That is controlled, subject to significant influenced or joint controlled by the Reporting Entity (downstream)
 3. **Entities connected with persons (person + close family member)**
 - a) Entities connected due to control or joint control
 - b) Entities connected due to KMP relationship

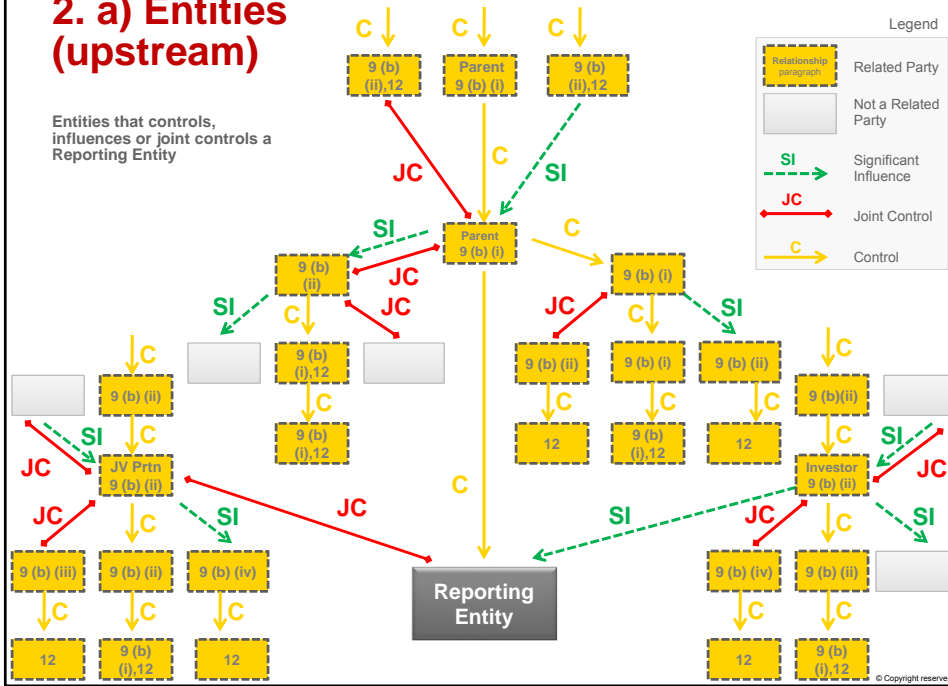
2. Entities

- 9 (b)
An entity is related to a reporting entity *if any* of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

- Para 12 : In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

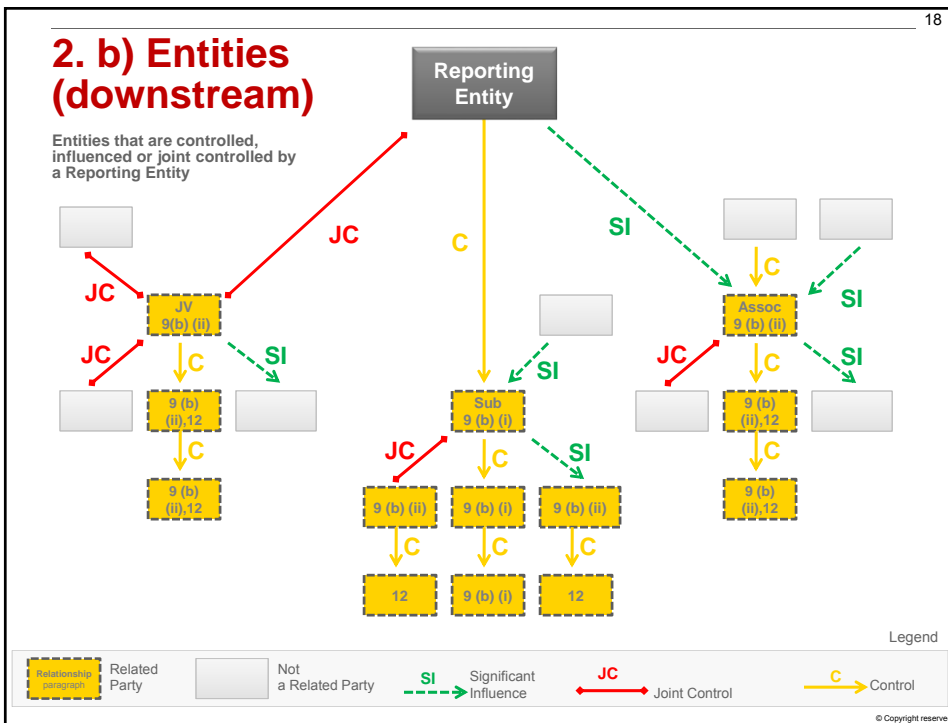
2. a) Entities (upstream)

Entities that controls, influences or joint controls a Reporting Entity



2. b) Entities (downstream)

Entities that are controlled, influenced or joint controlled by a Reporting Entity



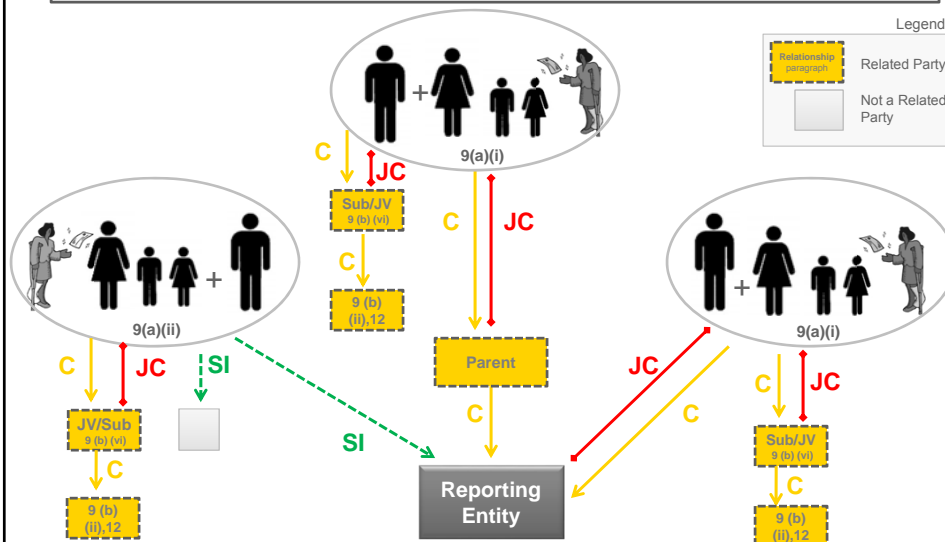
Related Party Definition: LKAS 24

► In summary RP definition includes:

1. **Persons (person + close family member)**
2. **Entities (incorporated or otherwise)**
 - a) That controls, having significant influence or joint controls the Reporting Entity (upstream)
 - b) That is controlled, subject to significant influenced or joint controlled by the Reporting Entity (downstream)
3. **Entities connected with persons (person + close family member)**
 - a) Entities connected due to control or joint control
 - b) Entities connected due to KMP relationship

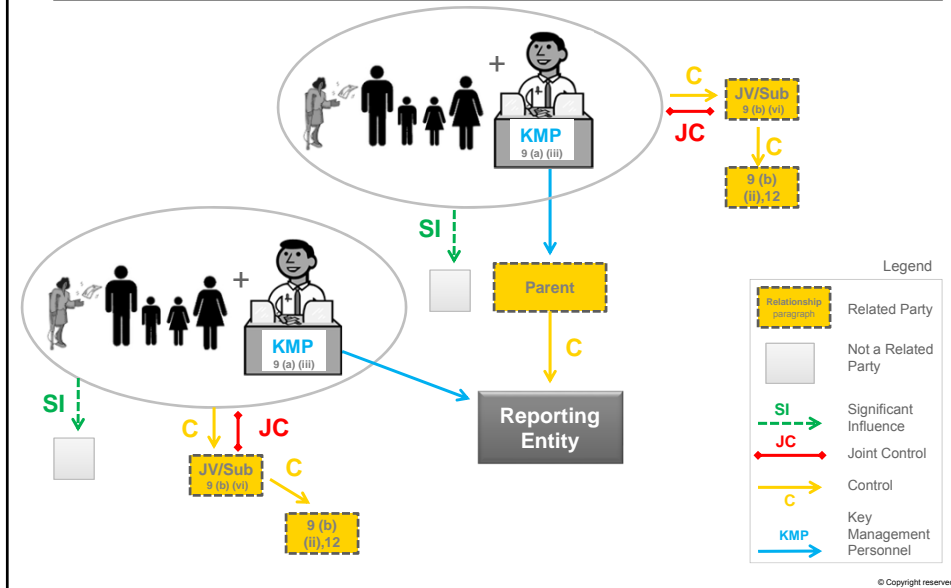
3. a) Entities connected with Persons (through C/JC)

► 9 (b) (vi) The entity is **controlled or jointly controlled by a person identified in 9(a)**



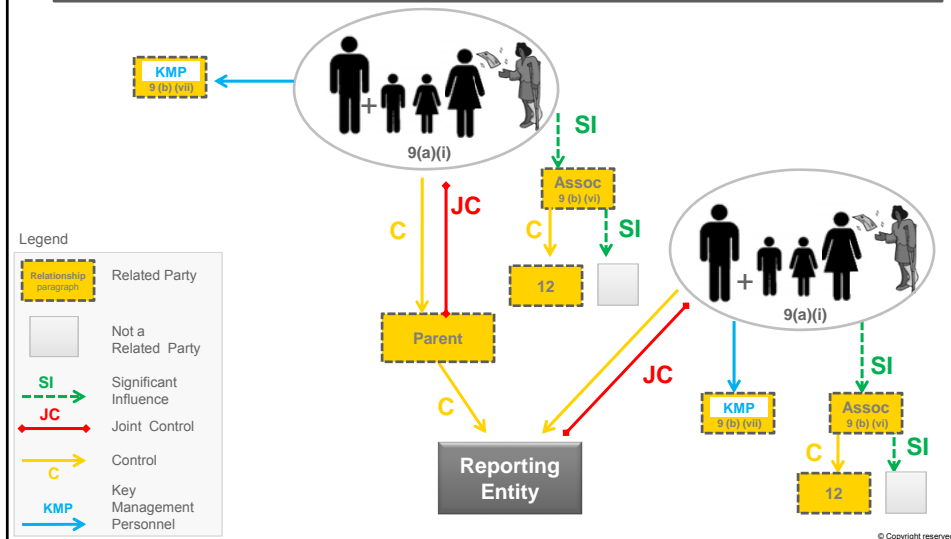
3. b) Entities connected with Persons (via KMP)

► 9 (b) (vi) The entity is **controlled or jointly controlled by a person** identified in 9(a)



3. b) Entities connected with Persons (via SI/KMP)

► 9 (b)(vii)
A **person** identified in 9(a)(i) has **significant influence** over the entity or is a **member of the key management personnel** of the entity (or of a parent of the entity).



What are NOT Related Parties?

In the context of this Standard, the following are not related parties:

- ▶ (a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- ▶ (b) two joint venturers simply because they share joint control of a joint venture.
- ▶ (c) (i) providers of finance,
(ii) trade unions,
(iii) public utilities, and
(iv) departments and agencies of a government that does not control, jointly control or significant influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process).
- ▶ (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

Also note.....

- ▶ In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.
- ▶ In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.
- ▶ Therefore, for example, an associate's subsidiary and the investor that has significant influence over the associate are related to each other.

Disclosures under LKAS 24

For ALL entities

- Relationships between a parent and its subsidiaries
 - Name of its parent and, if different, the ultimate controlling party
 - If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed

- ▶ To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.
- ▶ The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in LKAS 27 and SLFRS 12 *Disclosure of Interests in Other Entities*.
- ▶ Next most senior parent means the first parent in the group above the immediate parent that produces consolidated financial statements available for public use.

Disclosures under LKAS 24

For ALL entities

- ▶ If there are RPT during the periods covered by the financial statements,
 - ▶ Nature of the related party relationship
 - ▶ Information about those transactions
 - ▶ Outstanding balances

Disclosures under LKAS 24

For **ALL** entities

- ▶ At a minimum, disclosures shall include:
 - ▶ (a) the amount of the transactions;
 - ▶ (b) the amount of outstanding balances, including commitments, and:
 - ▶ (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - ▶ (ii) details of any guarantees given or received;
 - ▶ (c) provisions for doubtful debts related to the amount of outstanding balances; and
 - ▶ (d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

(LKAS 24.18)

Disclosures under LKAS 24

For **ALL** entities

- ▶ (para 18) Disclosures (to be *meaningfully aggregated* into):
 - ▶ (a) the parent;
 - ▶ (b) entities with joint control or significant influence over the entity;
 - ▶ (c) subsidiaries;
 - ▶ (d) associates;
 - ▶ (e) joint ventures in which the entity is a venturer;
 - ▶ (f) key management personnel of the entity or its parent; and
 - ▶ (g) other related parties.

Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Does not specify 'individual person-wise' or 'entity-wise' or 'entity related via a person-wise' disclosures. Meaningfully summarized transactions is adequate.

Disclosures under LKAS 24

For **ALL** entities

- ▶ Disclosures that related party transactions were made on terms equivalent to those that prevail in **arm's length** transactions are made *only if such terms can be substantiated*.

- ▶ Disclose KMP compensation in total and for each of the following categories
 - ▶ (a) short-term employee benefits;
 - ▶ (b) post-employment benefits;
 - ▶ (c) other long-term benefits;
 - ▶ (d) termination benefits; and
 - ▶ (e) share-based payment.

Disclosures under LKAS 24

- ▶ Compensation includes all employee benefits (LKAS 19 + SLFRS 2)

- ▶ Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity.

- ▶ It also includes such consideration paid on behalf of a parent of the entity in respect of the entity.

Disclosures under LKAS 24

- ▶ Compensation includes:
 - ▶ (a) short-term employee benefits, such as
 - ▶ wages, salaries and social security contributions (e.g EPF, ETF, MSPS), paid annual leave and paid sick leave, profit-sharing and bonuses , and
 - ▶ non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
 - ▶ (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
 - ▶ (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
 - ▶ (d) termination benefits; and
 - ▶ (e) share-based payment.

Disclosures under LKAS 24:

Special considerations

For Government related entities:

- ▶ Government-related entities:
 - ▶ Government refers to government, government agencies and similar bodies whether local, national or international.
 - ▶ A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.
- ▶ A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:
 - ▶ (a) a government that has control, joint control or significant influence over the reporting entity; and
 - ▶ (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Disclosures under LKAS 24:

Special considerations

- ▶ Government-related entities:
 - ▶ If a reporting entity applies the exemption, it shall disclose the following about the transactions and related outstanding balances :
 - ▶ (a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);
 - ▶ (b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:
 - ▶ (i) the nature and amount of each individually significant transaction; and
 - ▶ (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Disclosures under LKAS 24:

Special considerations

- ▶ Government-related entities:
 - ▶ In using its judgment to determine the level of detail to be disclosed, the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is:
 - ▶ (a) significant in terms of size;
 - ▶ (b) carried out on non-market terms;
 - ▶ (c) outside normal day-to-day business operations, such as the purchase and sale of businesses;
 - ▶ (d) disclosed to regulatory or supervisory authorities;
 - ▶ (e) reported to senior management;
 - ▶ (f) subject to shareholder approval.

Illustrative Examples



Effective date and transition:

- ▶ 01 January 2012
- ▶ Consequential amendments resulting from SLFRS 10, 11 and 12, shall apply when the entity applies those standards.

Business Implications ...

▶ Critical Steps:

1. Identification of Related Parties
2. Identify types of transactions and relationships
3. Information disclosure

▶ Information gathering is the final outcome- but- the need of a **process and a monitoring mechanism** within any entity is a must.

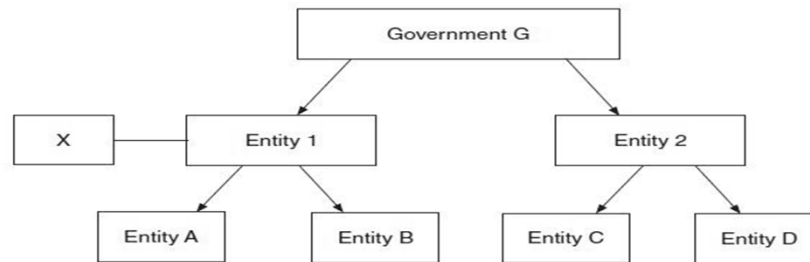


Illustrative examples

IE (Example 1- 6)

Example 1 – Exemption from disclosures Government related entities

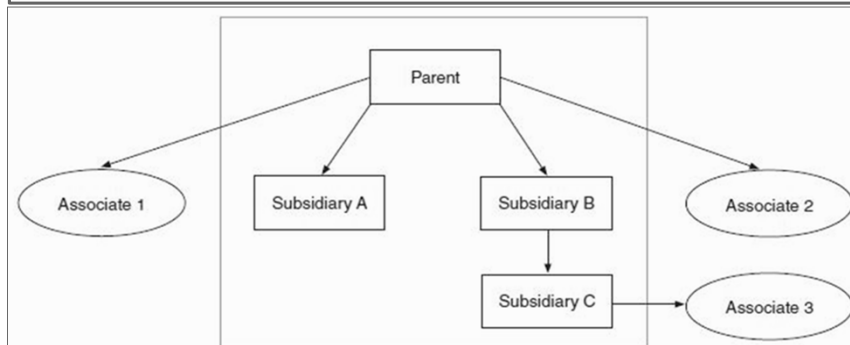
Government **G** directly or indirectly controls entities 1 and entities 2 and entities **A, B, C** and **D**.
Person **X** is a member of the key management personnel of entity 1 and influence over **Associate 3**



Consider how entity A could apply exemption given for government related entities?

Example 2 - Associates and subsidiaries

Parent entity has a controlling interest in Subsidiaries A, B and C
Parent entity also has significant influence over Associates 1 and 2.
Subsidiary C has significant influence over Associate 3

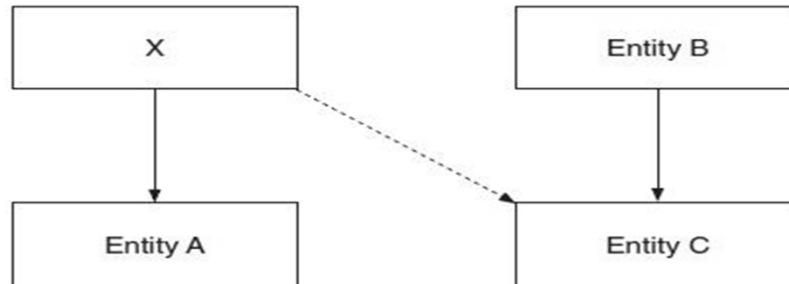


Identify RPs for :

- Parent's separate financial statements
- Subsidiary A's financial statements
- Subsidiary B's separate financial statements
- For the financial statements of Associates 1, 2 and 3
- Parent's consolidated financial statements

Example 3 – Key management personnel

A person, X, has a 100 per cent investment in Entity A
 A is a member of the key management personnel of Entity C.
 Entity B has a 100 per cent investment in Entity C.

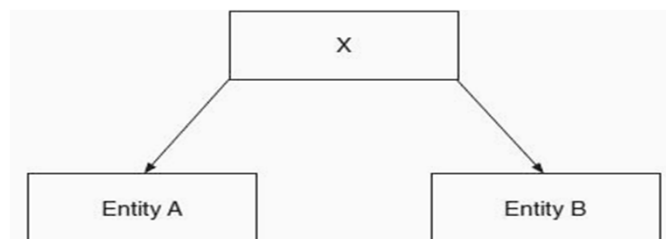


Identify related parties for

- Entity C's financial statements
- Entity C's financial statements
- Entity A's financial statements
- Entity B's consolidated financial statements,

Example 4 – Person as investor

A person, X, has an investment in Entity A and Entity B.

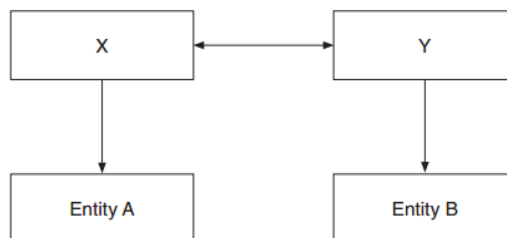


Identify related parties ;

- For Entity A's financial statements
- For Entity B's financial statements

Example 5 – Close members of the family holding investments

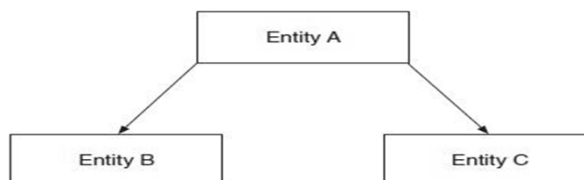
A person, X, is the domestic partner of Y.
X has an investment in Entity A and Y has an investment in Entity B.



- Determine Related parties ;
- For Entity A's financial statements
 - For Entity B's financial statements

Example 6 – Entity with joint control

Entity A has both
(i) joint control over Entity B and
(ii) joint control or significant influence over Entity C.



- Identify related parties for;
- Entity B's financial statements
 - Entity C's financial statements

Update – Inclusion of KMP Services in 2015 BV:

- **9(b)** An entity is related to a reporting entity if any of the following conditions applies:
 - ▶ i)- vii) + **Viii**

“viii The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity”
- **17A** - If an entity obtains key management personnel services from another entity (the ‘management entity’), the entity is not required to apply the requirements in paragraph 17 to the compensation paid or payable by the management entity to the management entity’s employees or directors.
- ▶ **18A** Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

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Thank you for your attention.

The views expressed in this presentation are those of the presenter.



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Notes to the financial statements

43 Ace Power Embilipitiya (Pvt) Ltd

The initial Power Purchase Agreement (PPA) dated 9th May 2003 signed between Ace Power Embilipitiya (Pvt) Ltd., a subsidiary company and the Ceylon Electricity Board (CEB) expired on the 6th April 2015. Subsequent to the expiry of this PPA, on the 6th of April 2016 Ace Power Embilipitiya (Pvt) Ltd entered into a short term PPA with the CEB for a period of one year on the same terms and conditions of the PPA dated 9th May 2003, with amendments to certain clauses. In terms of the ongoing discussions with the CEB there appears to be limited prospects of the PPA being extended further. Hence the directors of the company are of the opinion that the continuity of operations will be limited to the tenure of the short term PPA, and the assets and liabilities of the company are recorded at net realisable basis in the financial statements.

44 Contingent liabilities

Contingent liabilities as at 31.03.2016 on guarantees given by Aitken Spence PLC to third parties amounted to Rs. 1,120.9 million. The guarantees given only relates to facilities obtained by subsidiaries and as at reporting date the Company has not given any guarantees to other related companies listed in note 46.5 to the financial statements. Contingent liabilities as at 31.03.2016 on guarantees given by subsidiaries and equity-accounted investees to other companies amounted to Rs. 15,352.3 million. None of the above guarantees were in relation to facilities obtained by companies other than companies within the Group. There were no guarantees given in relation to facilities obtained by Aitken Spence PLC.

Cey Spence (Pvt) Ltd which was previously an equity accounted investee now under liquidation, 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 Tax Appeals Commission hearing the appeal has determined the income tax assessment in favour of the Department of Inland Revenue. Pursuant to the determination of the Tax Appeals Commission the company has appealed against the determination to the Court of Appeal. 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.

Aitken Spence Travels (Pvt) Ltd which is an equity accounted investee of the Group was issued an income tax assessment under the Inland Revenue Act No.10 of 2006 and its amendments thereto in relation to the year of assessment 2009/2010. The Tax Appeals Commission hearing the appeal in relation to the year of assessment 2009/2010 has determined the income tax assessment in favour of the Company. Pursuant to the determination of the Tax Appeals Commission the Department of Inland Revenue has appealed against the determination to the Court of Appeal. The contingent liability to the Group is estimated to be Rs. 17.5 million inclusive of all penalties for the above year of assessment. Based on expert advice and the decision of the Tax Appeals Commission 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.

45 Directors' fees

The Directors of the Company have received fees amounting to Rs. 108,000 /- from subsidiaries for the year ended 31st March 2016.

46 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. 46.2 - 46.8.

46.1 Parent and ultimate controlling party

The Company does not have an identifiable parent of its own.

46.2 Transactions with key management personnel

46.2.1 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.

46.2.2 There were no loans given to Directors of the company during the financial year or as at the year end.

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

	Company Rs.'000	Group Rs.'000
Short term employee benefits	108,548	638,057
Post employment benefits	-	18,948

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.

46.2.4 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, and Aitken Spence Hotel Management Asia (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 46.5.

Mr. J.M.S. Brito, Managing and Finance 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 22 and 23 to the financial statements. He is also a Director of SriLankan Airlines Ltd.

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 22 and 23 to the financial statements.

Dr. P. Dissanayake a Director of the company is also the Chairman, Managing Director or a Director of the companies marked by "c" in note 22 to the financial statements.

Mr. C. H. Gomez a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC.

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

Mr. R.N. Asirwatham a Director of the company is also a Director of Aitken Spence Hotel Holdings PLC. He is also a Director of CIC Holdings PLC, Ceylon Agro Industries Ltd., Dankotuwa Porcelain PLC, Mercantile Merchant Bank Ltd., Rajawella (Holdings) Pvt Ltd., Renuka Hotels (Pvt) Ltd. and Royal Ceramics Lanka PLC.

Miss. D.S.T. Jayawardena a Director of the company is also the Chairperson or a Director of the companies marked by "d" in note 22 and 23 to the financial statements. She is also the Chairperson or a Director of Splendor Media (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Stassen International (Pvt) Ltd. and Stassen Natural Foods (Pvt) Ltd.

Notes to the financial statements

46.3 Transactions with subsidiary companies

	Transactions with Aitken Spence PLC	
	2015/2016 Rs.'000	2014/2015 Rs.'000
Income from services rendered	548,794	521,352
Rent income received	16,492	17,049
Allocation of common personnel and administration expenses	41,995	40,315
Purchase of goods and services	45,131	44,796
Net borrowings under finance arrangements	(217,038)	11,539
Interest income received	102,558	95,643
Interest paid	50,025	50,931
Sale of assets	-	6,680

Transactions with A E Lanka (Pvt) Ltd., Ace Alliance Power 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 International Express (Pvt) Ltd., Ace Power Embilipitiya (Pvt) Ltd., Ace Printing and Packaging (Pvt) Ltd., Ace Resorts (Pvt) Ltd., Ace Wind Power (Pvt) Ltd., ADS Resorts (Pvt) 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 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 Insurance (Pvt) Ltd., Aitken Spence Insurance Brokers (Pvt) Ltd., Aitken Spence Maritime Ltd., Aitken Spence Moscow (Pvt) Ltd., Aitken Spence Ports International Ltd., Aitken Spence Printing and Packaging (Pvt) Ltd., Aitken Spence Property Developments Ltd., Aitken Spence Resorts Ltd., Aitken Spence Resources (Pvt) Ltd., Aitken Spence Shipping Ltd., Aitken Spence Shipping Services (Pvt) Ltd., Aitken Spence Technologies (Pvt) Ltd., Alliance Spence Power Ltd., Branford Hydropower (Pvt) Ltd., Clark Spence and Company Ltd., Cowrie Investments (Pvt) Ltd., Crest Star (BVI) Ltd., Crest Star Ltd., D B S Logistics Ltd., Elevators (Pvt) Ltd., Golden Sun Resorts (Pvt) Ltd., Hapag Lloyd Lanka (Pvt) Ltd., Hethersett Hotels Ltd., Interlifts International (Pvt) Ltd., Jetan Travel Services Company (Pvt) Ltd., Kandalama Hotels Ltd., Logilink (Pvt) Ltd., Meerladuwa (Pvt) Ltd., MMBL Money Transfer (Pvt) Ltd., MPS Hotels Ltd., Neptune Ayurvedic (Pvt) Ltd., Royal Spence Aviations (Pvt) Ltd., Shipping & Cargo Logistics (Pvt) Ltd., Spence International (Pvt) Ltd., Spence Logistics (Pvt) Ltd., Spence Maldives (Pvt) Ltd., Unique Resorts (Pvt) Ltd., Vauxhall Cargo Logistics (Pvt) Ltd., Vauxhall Investments Ltd., Vauxhall Property Developments Ltd., Western Power Company (Pvt) Ltd. are reflected under transactions with subsidiary companies above.

46.4 Transactions with equity-accounted investees

46.4.1 Transactions with joint venture companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	43,944	38,318	2,259,305	1,461,757
Rent income received	1,088	1,080	1,088	1,080
Allocation of common personnel and administration expenses	11,809	12,490	11,809	12,490
Purchase of goods and services	1,013	858	72,961	113,440
Net transfers under finance arrangements	2,515,000	497,000	2,515,000	497,000
Interest paid	110,696	62,925	110,696	62,925
Sale of assets	-	-	-	11

Transactions with Ace Bangladesh Ltd., Ace Travels & Conventions (Pvt) Ltd., Ahungalla Resorts Ltd., Aitken Spence C & T Investments (Pvt) Ltd., Aitken Spence Overseas Travel Services (Pvt) Ltd., Aitken Spence Travels (Pvt) Ltd., Colombo International Nautical & Engineering College (Pvt) Ltd., EcoCorp Asia (Pvt) Ltd. are reflected under transactions with joint ventures above.

46.4.2 Transactions with associate companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	13,582	10,132	49,957	25,029
Allocation of common personnel and administration expenses	528	682	528	682
Purchase of goods and services	3,122	3,543	22,062	7,204
Net transfers under finance arrangements	(34,500)	34,500	(58,222)	34,500
Interest paid	1,512	689	7,881	689

Transactions with AEN Palm Oil (Pvt) Ltd., Aitken Spence Plantation Managements PLC, Browns Beach Hotels PLC, Elpitiya Lifestyle Solutions (Pvt) Ltd., Elpitiya Plantations PLC, Fiji Ports Corporation Ltd., Negombo Beach Resorts (Pvt) Ltd., Paradise Resorts Pasikuda (Pvt) Ltd., Tea Country Homes (Pvt) Ltd. are reflected under transactions with associates above.

46.5 Transactions with other related companies

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Sale of goods and services	-	183	317,206	335,756
Purchase of goods and services	5,412	30,043	681,378	665,773
Interest paid	-	-	369	-

Transactions with Ambewela Livestock Company Ltd.*, Bell Solutions (Private) Ltd.*, Bellvantage (Pvt) Ltd.*, Ceylon Agro Industries Ltd., CIC Holdings PLC, Dankotuwa porcelain PLC, Distilleries Company of Sri Lanka PLC and companies of the Group *, Indo Lanka Exports (Pvt) Ltd.*, Lanka Bell (Pvt) Ltd.*, Lanka Dairies (Pvt) Ltd.*, Lanka Milk Foods (CWE) PLC*, Mercantile Merchant Bank Ltd., Milford Exports (Ceylon) (Pvt) Ltd.*, Pattipola livestock company Ltd.*, Periceyl (Pvt) Ltd.*, Rajawella (Holdings) (Pvt) Ltd., Renuka Hotels (Pvt) Ltd., Royal Ceramics PLC, Splendor Media (Pvt) Ltd., Sri Lankan Airlines Ltd., Stassen Exports (Pvt) Ltd.*, Stassen Foods (Pvt) Ltd.*, Stassen International (Pvt) Ltd.*, Stassen Natural Foods (Pvt) Ltd.*, Telecom Frontier (Pvt) Ltd.*, Texpro Industries Ltd.*are reflected under transactions with other related companies, above.

46.6 Transactions with post-employment benefit plans

	Transactions with Aitken Spence PLC		Transactions with Group companies	
	2015/2016 Rs.'000	2014/2015 Rs.'000	2015/2016 Rs.'000	2014/2015 Rs.'000
Contributions to the provident fund	202,092	175,841	38,088	32,957

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.

Notes to the financial statements

46.7 Amounts due from related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
46.7.1 Amount due from subsidiaries				
Fully owned subsidiaries	2,036,785	1,702,851	N/A	N/A
Partly owned subsidiaries	930,336	637,957	N/A	N/A
	2,967,121	2,340,808	N/A	N/A
Provision for doubtful debts	2,710	3,635	N/A	N/A
46.7.2 Amount due from equity-accounted investees				
Joint ventures	114,300	55,773	375,255	618,892
Associates	126,187	21,620	78,974	61,792
	240,487	77,393	454,229	680,684
Provision for doubtful debts	-	-	-	-
46.7.3 Amount due from other related companies				
Provision for doubtful debts	-	-	31,777	42,503
	-	-	1,419	293

46.8 Amounts due to related parties

	Balances with Aitken Spence PLC		Balances with Group companies	
	31.03.2016 Rs.'000	31.03.2015 Rs.'000	31.03.2016 Rs.'000	31.03.2015 Rs.'000
46.8.1 Amount due to subsidiaries				
Fully owned subsidiaries	776,893	1,006,462	N/A	N/A
Partly owned subsidiaries	179,651	275,200	N/A	N/A
	956,544	1,281,662	N/A	N/A
46.8.2 Amount due to equity-accounted investees				
Joint ventures	3,583,076	1,527,686	3,614,681	1,537,939
Associates	322	46,498	261,200	48,885
	3,583,398	1,574,184	3,875,881	1,586,824
46.8.3 Amount due to other related companies				
	-	-	51,250	17,320

46.9 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 44 to the financial statements.

47 Foreign currency translation

The principal exchange rates used for translation purposes were;

	2015/2016	2014/2015
United States dollar	144.69	133.32
British Pound	207.90	197.24
Euro	163.94	144.29
Oman Rial	373.76	345.18
Fiji dollar	68.87	64.67
South African Rand	9.65	10.96
Indian rupee	2.17	2.12
Maldivian Rufiyaa	9.41	8.61
Bangladesh Taka	1.84	1.71

48 Number of employees

The number of employees of the Group at the end of the year was 7,342 (2014/2015 - 7,131) The number of employees of the Company at the end of the year was 196 (2014/2015 - 207).

49 Events occurring after the reporting date

The Board of Directors of the Company resolved to recommend a first and final ordinary dividend of Rs.1.50 per share for the year 2015/2016 to be approved at the Annual General Meeting. Details of the dividend is disclosed in note 14 to the financial statements.

On 6th April 2016 Ace Power Embilipitiya (Pvt) Ltd, a subsidiary company entered into a short term Power Purchase Agreement (PPA) with the Ceylon Electricity Board (CEB) for a period of one year on the same terms and conditions of the previous PPA dated 9th May 2003 with amendments to certain clauses, and recommenced generation and supply of power to the national grid.

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

(c) Contingent Liabilities

There are no significant contingencies as at the reporting date.

23. Assets Pledged

There are no assets pledged as securities for liabilities as at the year end.

24. Related Party Disclosures

Details of significant related party disclosures are as follows:

24.1 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are the members of its Board of Directors.

(a) Key Management Personnel Compensation

	2016	2015
	Rs.	Rs.
Executive Directors' Fees	–	–
Non-Executive Directors' Fees	1,830,000	1,569,000
	1,830,000	1,569,000

24.2 Other Related Party disclosures

Transactions with entities that are significantly influenced by Key Management Personnel of the Company:

Some Key Management Personnel of the Company and their members of the families, collectively have control directly or indirectly in certain entities with which the Company entered into the transactions, summarized as follows:

	2016	2015
	Rs.	Rs.
Amount Receivable as at 31st March, (Note 9)	19,391,191	13,048,529
Amount Payable as at 31st March, (Note 14)	(9,702,635)	(9,546,724)
Nature of Transactions		
Hotel Operation and Marketing Fees	48,501,369	40,766,436
Development Fees	1,505,651	–
Purchases of Beverages	6,359,390	10,339,884
Advertising Expenses and Other Reimbursements	27,519,333	19,563,964
Sale of Accommodation and Transfers	95,470,184	111,911,188
Proceeds from Disposal of Fixed Assets	–	538,861
Other Expenses	1,057,737	816,316
Transport Charges	562,688	421,798
Rent Received	169,898	38,265
Gratuity Reimbursed	204,133	324,149
Gratuity Transfer	(97,882)	(494,975)
Laundry Income	91,908	1,378,956
Reimbursement of Consultancy Fee	919,360	–
Vehicle Insurance Received	62,358	–
Vehicle Insurance Paid	138,710	–
Support Service Charges	6,494,405	–
Purchases of Goods	987,949	–
Purchases of Assets	1,170,937	–
Location Charges	100,000	–

All related party balances are payable or receivable within one year and are non-interest bearing.

Notes to the Financial Statements

40 Trade and other payables*Accounting policy*

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business.

Trade payable are classified as current liabilities if payment is due within one year.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Trade and other payables				
Trade and other payables	12,392,889	10,744,017	332,506	333,822
Reinsurance payables	140,358	223,650	-	-
Advances and deposits	222,219	299,672	-	-
	12,755,466	11,267,339	332,506	333,822

Trade and other payables are normally non-interest bearing and settled within one year. Reinsurance payables normally settled within one year. For further explanation on the Group's liquidity risk management process refer note 10.2.2.

41 Short term borrowings

As at 31 March In LKR '000s	Group	
	2016	2015
Bank loans	821,243	12,622,740
	821,243	12,622,740

42 Other current liabilities*Accounting policy*

Group classifies all non financial current liabilities under other current liabilities.

These include non refundable deposits and other tax payables. These liabilities are recorded at amounts expected to be set-off at the reporting date.

As at 31 March In LKR '000s	Group		Company	
	2016	2015	2016	2015
Other current liabilities				
Non refundable deposits	1,706,292	2,201,887	2,566	2,566
Other tax payables	528,564	1,049,994	13,723	12,317
	2,234,856	3,251,881	16,289	14,883

43 Related party transactions**Terms and conditions of transactions with related parties**

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets which ever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

Recurrent related party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2015 audited financial Statements, which required additional disclosures in the

2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.

As at 31 March In LKR '000s	Note	Group		Company	
		2016	2015	2016	2015
43.1	Amounts due from related parties				
Subsidiaries	43.5	-	-	412,187	119,457
Equity accounted investees	43.6	133,031	185,085	182,995	138,813
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		133,031	185,085	595,182	258,270
43.2	Amounts due to related parties				
Subsidiaries	43.5	-	-	102,135	2,726
Equity accounted investees		28,982	26,488	-	-
Key management personnel		-	-	-	-
Post employment benefit plan		-	-	-	-
		28,982	26,488	102,135	2,726
43.3	Transactions with related parties				
Subsidiaries					
(Purchases)/Sales of goods		-	-	(3,631)	(1,280)
(Receiving)/Rendering of services	43.5	-	-	586,183	582,664
Rent received/(paid)		-	-	(34,292)	(34,759)
Equity accounted investees					
(Purchases)/Sales of goods		45,096	24,063	-	-
(Receiving)/Rendering of services	43.6	277,493	98,539	225,464	218,967
Interest received/(paid)	43.4	33,271	57,975	29,589	69
Key management personnel (KMP)					
(Purchases)/Sales of goods		-	-	-	-
Close family members of KMP					
(Purchases)/Sales of goods		-	-	-	-
Companies controlled/jointly controlled/significantly Influenced by KMP and their close family members					
(Purchases)/Sales of goods		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		242,678	232,437	54,999	50,077
43.4	Transactions with related parties - Associates				
Interest received/(Interest paid)					
Nations Trust Bank PLC.		33,271	57,975	29,589	69

The Group and Company held interest bearing deposits of LKR 2,929 Mn (2015 - 205 Mn) and LKR 2,568 Mn (2015 - nil) respectively, at Nations Trust Bank PLC. as at 31 March 2016.

Notes to the Financial Statements

43 Related party transactions (Contd.)

	Amounts due from		Company Amounts due to		Transactions with related parties - Subsidiaries (Receiving)/ Rendering of services	
	2016	2015	2016	2015	2016	2015
As at 31 March In LKR '000s						
43.5 Subsidiaries						
Current						
Asian Hotels and Properties PLC.	3,338	2,950	-	-	27,544	26,111
Ceylon Cold Stores PLC.	4,030	5,268	-	-	45,867	44,302
Cinnamon Hotel Management Ltd.	5,154	65,626	-	-	94,328	151,343
InfoMate (Pvt) Ltd.	576	1,179	-	-	13,567	14,111
JayKay Marketing Services (Pvt) Ltd.	3,997	6,754	-	-	66,395	43,257
John Keells BPO Solutions India (Pvt) Ltd.	-	-	6,724	-	4,375	3,733
John Keells Logistics Lanka (Pvt) Ltd.	2,314	4,241	-	-	15,281	13,155
John Keells Office Automation (Pvt) Ltd.	4,577	1,717	-	-	34,199	16,708
John Keells PLC.	1,472	1,833	-	-	16,350	15,525
John Keells Teas Ltd.	3,064	325	-	-	3,499	3,519
Keells Food Products PLC.	2,339	2,058	-	-	20,938	20,158
Lanka Marine Services Ltd.	362,781	1,009	-	-	8,462	8,105
Mack Air (Pvt) Ltd.	1,248	716	-	-	11,069	8,612
Mackinnons Travels (Pvt) Ltd.	-	-	1,574	-	(12,886)	(7,295)
Rajawella Holdings Ltd	-	-	90,300	-	420	-
Trans Asia Hotels PLC.	-	-	2,205	-	15,251	18,834
Transware Logistics (Pvt) Ltd.	154	9,405	-	-	1,029	3,071
Union Assurance PLC.	3,164	5,592	-	-	31,376	33,123
Walkers Tours Ltd.	615	1,165	-	-	31,046	28,168
Waterfront properties (Pvt) Ltd.	4,638	831	-	-	34,596	4,471
Other subsidiaries	8,726	8,788	1,332	2,726	123,477	133,653
	412,187	119,457	102,135	2,726	586,183	582,664
Non-current						
Rajawella Holdings Ltd.	-	-	180,458	-	-	-
	-	-	180,458	-	-	-
43.6 Equity accounted investees						
Joint ventures						
DHL Keells (Pvt) Ltd.	92,839	49,768	-	-	218,563	208,675
NDO Lanka (Pvt) Ltd.	1,592	535	-	-	1,448	6,228
Associates						
Maersk Lanka (Pvt) Ltd.	-	-	-	-	-	-
Nations Trust Bank PLC.	88,385	88,040	-	-	-	-
Saffron Aviation (Pvt) Ltd.	129	210	-	-	2,210	1,302
South Asia Gateway Terminals (Pvt) Ltd.	50	260	-	-	3,243	2,762
	182,995	138,813	-	-	225,464	218,967