

Aitken Spence

Interim Statement

for the six months ended 30th September 2006

Aitken Spence[®] 

Aitken Spence & Co., Ltd.



Aitken Spence & Co., Ltd.

CONSOLIDATED INCOME STATEMENT

	Quarter Ended 30th September			Six Months Ended 30th September		
	2006	2005	Change	2006	2005	Change
	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Revenue	4,974,122	3,083,139	61.3	9,362,312	5,803,853	61.3
Revenue tax	(46,450)	(37,157)	25.0	(90,787)	(67,697)	34.1
Net revenue	4,927,672	3,045,982	61.8	9,271,525	5,736,156	61.6
Other operating income	21,778	111,169	(80.4)	49,626	179,207	(72.3)
Changes in inventories of finished goods and work-in-progress	(33,339)	4,751	—	14,118	40,206	(64.9)
Raw materials and consumables used	(2,127,810)	(1,316,277)	61.7	(4,124,543)	(2,449,737)	68.4
Employee benefits expense	(326,602)	(261,200)	25.0	(662,035)	(551,470)	20.0
Depreciation and amortisation expense	(238,926)	(155,029)	54.1	(469,121)	(312,352)	50.2
Other operating expenses – direct	(892,945)	(579,936)	54.0	(1,657,255)	(1,091,571)	51.8
Other operating expenses – indirect	(610,461)	(410,430)	48.7	(1,047,469)	(801,942)	30.6
Profit from operations	719,367	439,030	63.9	1,374,846	748,497	83.7
Interest income	12,273	11,289	8.7	22,284	30,984	(28.1)
Finance cost	(198,225)	(105,862)	87.2	(371,255)	(207,560)	78.9
Profit from operations after interest	533,415	344,457	54.9	1,025,875	571,921	79.4
Share of profits of associates	(6,393)	25,821	—	25,070	53,366	(53.0)
Profit on ordinary activities before tax	527,022	370,278	42.3	1,050,945	625,287	68.1
Income tax expense	(49,093)	(37,315)	31.6	(82,248)	(76,572)	7.4
Profit for the period	477,929	332,963	43.5	968,697	548,715	76.5
Attributable to:						
Equity holders of the parent	314,043	248,367	26.4	650,113	407,714	59.5
Minority interest	163,886	84,596	93.7	318,584	141,001	125.9
	477,929	332,963	43.5	968,697	548,715	76.5
Earnings per share (Rs.)						
– Basic	11.60	9.18	26.4	24.02	15.07	59.4
– Diluted	11.60	9.17	26.5	24.02	15.06	59.5

The above figures are provisional and subject to audit.

D.H.S. Jayawardena
Chairman

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

Colombo,
3rd November, 2006



Aitken Spence & Co., Ltd.

CONSOLIDATED BALANCE SHEET

As at	30.09.2006	30.09.2005	31.03.2006
	Rs. '000	Rs. '000	Rs. '000
		Restated	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	16,179,139	11,288,421	15,450,267
Intangible assets	185,848	167,447	191,811
Investments in associates	704,431	803,245	690,374
Long term investments	192,497	550,186	213,234
Investment property	28,936	—	28,936
	<u>17,290,851</u>	<u>12,809,299</u>	<u>16,574,622</u>
Current assets			
Inventories	834,751	538,079	694,739
Amount due from associates	98,736	81,038	103,990
Trade and other receivables	4,716,062	2,825,407	4,448,199
Current investments	4,268	4,738	4,268
Deposits and prepayments	807,757	824,086	346,326
Short term deposits	379,915	346,868	616,495
Cash & cash equivalent	881,076	626,174	418,055
	<u>7,722,565</u>	<u>5,246,390</u>	<u>6,632,072</u>
TOTAL ASSETS	<u>25,013,416</u>	<u>18,055,689</u>	<u>23,206,694</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued and fully paid share capital	270,664	270,604	270,664
Reserves	4,243,784	4,158,563	4,234,859
Retained earnings	4,638,291	3,386,740	3,935,012
Proposed dividends	—	—	94,732
	<u>9,152,739</u>	<u>7,815,907</u>	<u>8,535,267</u>
Minority interest	2,924,388	1,857,209	2,681,032
Total equity	<u>12,077,127</u>	<u>9,673,116</u>	<u>11,216,299</u>
Non-current liabilities			
Deferred income	—	30,066	36,678
Interest bearing liabilities	5,919,315	3,459,832	5,424,584
Deferred tax	215,675	179,489	191,520
Retirement benefit obligations	166,901	146,530	154,656
	<u>6,301,891</u>	<u>3,815,917</u>	<u>5,807,438</u>
Current liabilities			
Trade payables	1,096,636	940,913	1,313,627
Provisions and other payables	1,161,071	1,163,010	1,210,030
Interest bearing liabilities repayable within one year	1,678,625	1,127,558	1,921,261
Amount due to associates	3,073	583	951
Provision for taxation	24,096	45,970	62,577
Interim dividend declared	—	—	81,199
Short-term bank borrowings	2,670,897	1,288,622	1,593,312
	<u>6,634,398</u>	<u>4,566,656</u>	<u>6,182,957</u>
TOTAL EQUITY AND LIABILITIES	<u>25,013,416</u>	<u>18,055,689</u>	<u>23,206,694</u>

The above figures are provisional and subject to audit.

D.H.S. Jayawardena
Chairman

Colombo,
3rd November, 2006

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

COMPANY INCOME STATEMENT

	Quarter Ended 30th September			Six Months Ended 30th September		
	2006 Rs. '000	2005 Rs. '000	Change %	2006 Rs. '000	2005 Rs. '000	Change %
Revenue	46,235	42,386	9.1	105,807	101,776	4.0
Other operating income	116,321	78,351	48.5	131,691	138,462	(4.9)
Employee benefits expense	(25,655)	(19,442)	32.0	(48,970)	(44,412)	10.3
Depreciation and amortisation expense	(4,584)	(3,811)	20.3	(9,167)	(7,616)	20.4
Other operating expenses – indirect	(39,016)	(14,472)	169.6	(61,312)	(40,350)	52.0
Profit from operations	93,301	83,012	12.4	118,049	147,860	(20.2)
Interest income	41,847	28,202	48.4	63,396	50,628	25.2
Finance costs	(68,101)	(46,868)	45.3	(95,843)	(85,705)	11.8
Profit on ordinary activities before tax	67,047	64,346	4.2	85,602	112,783	(24.1)
Income tax expense	293	–	–	616	–	–
Profit for the period	67,340	64,346	4.7	86,218	112,783	(23.6)
Earnings per share (Rs.) (Basic/Diluted)	2.49	2.38	4.6	3.19	4.17	(23.5)

The above figures are provisional and subject to audit.

D.H.S. Jayawardena
Chairman

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

Colombo,
3rd November, 2006

COMPANY BALANCE SHEET

As at	30.09.2006 Rs. '000	30.09.2005 Rs. '000	31.03.2006 Rs. '000
ASSETS			
Non-current assets			
Property, plant and equipment	42,138	746,604	46,963
Investments in subsidiaries and joint ventures – unquoted	4,122,137	2,807,698	4,118,842
Investments in subsidiaries – quoted	679,300	679,300	679,300
Investments in associates	398,441	398,441	398,441
Long term investments	185,331	512,933	205,130
Investment property	718,763	28,936	720,933
	<u>6,146,110</u>	<u>5,173,912</u>	<u>6,169,609</u>
Current assets			
Inventories	1,237	1,564	983
Amount due from subsidiaries	2,392,739	1,647,267	2,214,718
Amount due from associates	86,803	80,432	90,566
Trade and other receivables	119,877	32,734	83,212
Current investments	139	139	139
Deposits and prepayments	11,543	2,294	2,863
Short-term deposits	172,726	183,555	69,330
Cash & cash equivalents	81,561	71,527	19,869
	<u>2,866,625</u>	<u>2,019,512</u>	<u>2,481,680</u>
TOTAL ASSETS	<u>9,012,735</u>	<u>7,193,424</u>	<u>8,651,289</u>
EQUITY AND LIABILITIES			
Equity			
Issued and fully paid share capital	270,664	270,604	270,664
Reserves	2,872,365	3,390,446	2,872,365
Retained earnings	1,939,368	1,095,769	1,853,150
Proposed dividend	—	—	94,732
Total equity	<u>5,082,397</u>	<u>4,756,819</u>	<u>5,090,911</u>
Non-current liabilities			
Interest bearing liabilities	1,400,000	600,000	600,000
Deferred tax	8,881	11,059	9,497
Retirement benefit obligations	19,160	15,974	17,333
	<u>1,428,041</u>	<u>627,033</u>	<u>626,830</u>
Current liabilities			
Provisions and other payables	263,379	230,261	212,292
Interest bearing liabilities repayable within one year	200,000	400,000	400,000
Amount due to subsidiaries	1,610,261	1,172,909	1,790,373
Amount due to associates	—	—	14
Provision for taxation	4,176	—	9,232
Interim dividend declared	—	—	81,199
Short-term bank borrowings	424,481	6,402	440,438
	<u>2,502,297</u>	<u>1,809,572</u>	<u>2,933,548</u>
TOTAL EQUITY AND LIABILITIES	<u>9,012,735</u>	<u>7,193,424</u>	<u>8,651,289</u>

The above figures are provisional and subject to audit.

D.H.S. Jayawardena
Chairman

Colombo,
3rd November, 2006

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

STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September

	2006 Rs. '000	2005 Rs. '000
GROUP – TOTAL EQUITY		
Balance as at 31st March	11,216,299	9,341,280
Impact of adoption of revised accounting standards applicable for the period		
– Effect of adoption of SLAS 14 – Income taxes (revised 2005)	–	(69,658)
– Effect of adoption of SLAS 25 – Business combinations (revised 2004)	36,678	–
Restated balance	11,252,977	9,271,622
Currency translation difference	42,052	1,993
Effect of change in percentage holding in subsidiaries	(5,923)	–
Net income directly recognised in equity	11,289,106	9,273,615
Net profit for the period	968,697	548,715
Total recognised income and expenses for the period	12,257,803	9,822,330
Shares issued under stock option scheme	–	299
Final dividend paid	(94,732)	(94,711)
Subsidiary dividend to minority share holders	(85,944)	(54,802)
Balance as at 30th September	12,077,127	9,673,116
	2006 Rs. '000	2005 Rs. '000
COMPANY		
Balance as at 31st March	5,090,911	4,738,448
Net profit for the period	86,218	112,783
Shares issued under stock option scheme	–	299
Final dividend paid	(94,732)	(94,711)
Balance as at 30th September	5,082,397	4,756,819

CASH FLOW STATEMENTS

For the six months ended 30th September

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
CASH FLOW FROM OPERATING ACTIVITIES				
Net profit before taxation	1,050,945	625,287	85,602	112,783
Adjustments for				
Depreciation & amortisation	469,121	312,352	9,167	7,616
Interest expense	371,255	207,560	95,843	85,411
(Profit)/Loss of sale of property plant & equipment	(11,922)	(16,579)	—	32
Effect on changes in percentage holding in subsidiaries	(5,923)	—	—	—
Profit on sale of investments	(3,374)	(1,125)	—	—
Provision for fall in value of investments	—	(1,068)	—	—
Interest income	(22,284)	(30,984)	(63,396)	(50,628)
Amortisation of surplus on acquisition	—	(577)	—	—
Share of associate companies profit before tax	(25,070)	(53,366)	—	—
Provision/write-off of bad and doubtful debts	9,444	5,882	—	—
Foreign exchange profit	(29,369)	(12,066)	(2,530)	(4,232)
Gratuity provision	18,955	16,570	2,008	2,007
	<u>770,833</u>	<u>426,599</u>	<u>41,092</u>	<u>40,206</u>
Operating profit before working capital changes	1,821,778	1,051,886	126,694	152,989
(Increase)/decrease in trade and other receivable	(272,055)	(877,641)	(210,922)	(475,577)
(Increase)/decrease in inventories	(140,012)	(174,990)	(254)	(195)
Increase/(decrease) in trade & other payables	(264,211)	76,556	(129,669)	122,392
(Increase)/decrease in deposits & prepayments	(461,431)	(575,516)	(8,679)	186
	<u>(1,137,709)</u>	<u>(1,551,591)</u>	<u>(349,524)</u>	<u>(353,194)</u>
Cash generated from operations	684,069	(499,705)	(222,830)	(200,205)
Interest paid	(371,255)	(207,560)	(95,843)	(85,411)
Income tax paid	(91,030)	(83,027)	(5,056)	—
Gratuity payment	(6,711)	(5,776)	(181)	(504)
	<u>(468,996)</u>	<u>(296,363)</u>	<u>(101,080)</u>	<u>(85,915)</u>
Net cash flow from operating activities	215,073	(796,068)	(323,910)	(286,120)
Cash flow from investing activities				
Investments made during the year	—	(87,168)	(3,050)	—
Purchase of property, plant & equipment	(1,175,032)	(550,228)	(2,175)	(18,608)
Proceeds from sale of property, plant & equipment	12,407	16,540	—	62
Proceeds from sale of investments	24,111	9,838	19,799	8,400
Dividends and dividend taxes paid by subsidiary companies to outside shareholders	(85,944)	(54,802)	—	—
Dividends received from associate companies	5,468	7,317	—	—
	<u>(1,218,990)</u>	<u>(658,503)</u>	<u>14,574</u>	<u>(10,146)</u>

CASH FLOW STATEMENTS — *CONTD.*

For the six months ended 30th September

	Group		Company	
	2006 Rs. '000	2005 Rs. '000	2006 Rs. '000	2005 Rs. '000
Cash flow from financing activities				
Interest received from deposits	22,284	30,984	63,396	50,628
Proceeds from interest bearing liabilities	1,362,266	62,766	1,000,000	—
Issue of shares	—	299	—	299
Repayment of interest bearing borrowings	(1,165,821)	(491,999)	(400,000)	(200,000)
Dividends paid	(175,545)	(161,982)	(175,545)	(161,982)
Net cash from financing activities	43,184	(559,932)	487,851	(311,055)
Net increase/(decrease) in cash and cash equivalents	(960,733)	(2,014,503)	178,515	(607,321)
Cash and cash equivalents at the beginning of the period (Note A)	(449,173)	1,698,923	(348,709)	856,001
Cash and cash equivalents at end of period	(1,409,906)	(315,580)	(170,194)	248,680
Cash and cash equivalents at end of period				
Cash at bank & in hand	881,076	626,174	81,561	71,527
Short term deposits	379,915	346,868	172,726	183,555
Short term bank borrowings	(2,670,897)	(1,288,622)	(424,481)	(6,402)
Cash and cash equivalents at end of period	(1,409,906)	(315,580)	(170,194)	248,680
Note A — Cash and cash equivalents at the beginning of the period				
Cash at bank & in hand	418,055	678,662	19,869	69,119
Short term deposits	616,495	1,370,665	69,330	825,279
Bank loans & overdrafts	(1,593,312)	(384,650)	(440,438)	(42,629)
Cash & cash equivalents as previously reported	(558,762)	1,664,677	(351,239)	851,769
Effect of exchange rate changes	109,589	34,246	2,530	4,232
Cash & cash equivalents as restated	(449,173)	1,698,923	(348,709)	856,001

NOTES TO THE FINANCIAL STATEMENTS

1. Segment Analysis of Group Revenue and Profit

1.1 Business Segment

(a) Revenue

For the six months ended 30th September	Total Revenue Generated		Inter-Segmental Revenue		Intra-Segmental Revenue		Revenue from External Customers	
	2006	2005	2006	2005	2006	2005	2006	2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tourism Sector	2,186,388	1,315,948	12,943	817	61,698	74,817	2,111,747	1,240,314
Cargo Logistics Sector	1,408,231	1,026,755	123,606	90,205	72,870	53,333	1,211,755	883,217
Strategic Investments	6,128,559	3,811,731	66,580	116,948	23,169	14,461	6,038,810	3,680,322
Total Revenue	9,723,178	6,154,434	203,129	207,970	157,737	142,611	9,362,312	5,803,853

(b) Profit

For the three months ended 30th September	Profit from Operations		Profit from Ordinary Activities		Non-Cash Expenses		Income Tax	
	2006	2005	2006	2005	2006	2005	2006	2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tourism Sector	136,071	(90,099)	38,265	(86,527)	9,778	6,345	47,161	21,055
Cargo Logistics Sector	128,217	177,130	98,743	200,422	12,112	10,430	20,849	41,145
Strategic Investments	1,141,159	800,890	944,538	650,816	6,511	5,677	11,303	12,624
	1,405,447	887,921	1,081,546	764,711	28,401	22,452	79,313	74,824
Amortisation of (goodwill)/negative goodwill	—	(2,035)	—	(2,035)	—	—	—	—
Inter company dividends	(30,601)	(137,389)	(30,601)	(137,389)	—	—	2,935	1,748
	1,374,846	748,497	1,050,945	625,287	28,401	22,452	82,248	76,572

1.2 Geographical Segment

For the three months ended 30th September	Total Revenue Generated		Profit on Ordinary Activities	
	2006	2005	2006	2005
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Sri Lanka	8,437,630	5,373,822	910,486	604,128
South Asia (Maldives & Bangladesh)	1,285,548	780,612	140,459	21,159
	9,723,178	6,154,434	1,050,945	625,287

NOTES TO THE FINANCIAL STATEMENTS — *CONTD.*

2. The Financial Statements of the company and those consolidated with such for the interim period have been prepared on the same basis as the most recent audited financial statements adjusted for the impact of the revised Sri Lanka Accounting Standards applicable for the period.
3. The Company redeemed unquoted debentures to the value Rs. 400 million during the period under review.
4. The company paid the recommended 35% final ordinary dividend for the year ended 31st March 2006, after it was approved at the Annual General Meeting on the 29th June 2006. The total final dividend payment amounted to Rs. 94,732,411/-.
5. In October 2006 the company raised Rs. 710 million by the privately placed issue of 6 year unsecured redeemable debentures with a AA (lka) rating from Fitch Rating. The funds raised were mainly utilised to settle the short term borrowings of the group.

NOTES TO THE FINANCIAL STATEMENTS — *CONTD.*

NON-FINANCIAL INFORMATION

	30-09-2006	30-09-2005	31-03-2006
Shares traded			
Market Price per Share — Last traded (Rs.)	312.00	390.00	339.00
Market Price per Share — Highest (Rs.)	320.00	410.00	410.00
Market Price per Share — Lowest (Rs.)	275.00	365.00	286.00
Net Asset Value per Share — Group (Rs.)	446.21	357.54	414.48
Dividend per share (Rs.)	—	—	6.50
Debt/Equity Ratio	0.49	0.36	0.48
Quick Asset Ratio (times)	1.04	1.03	1.07
Interest Cover	4.11	4.49	6.38

DIRECTORS

D. H. S. Jayawardena – *Chairman*

J. M. S. Brito – *Deputy Chairman & Managing Director*

Dr. R. M. Fernando

G. C. Wickremasinghe

R. Sivaratnam

C. H. Gomez

N. J. de S Deva Aditya

SECRETARY

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

REGISTERED OFFICE

305, Vauxhall Street,
Colombo 2,
Sri Lanka