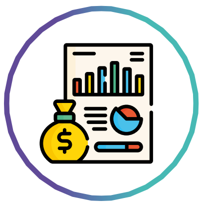
Financial Capital



The pool of funds available for deployment, which comprises debt, retained earnings, and equity funding, is known as our financial capital. Our capacity to generate long-term value for our stakeholders is dependent on how we manage and use our financial capital. We concentrated on cost optimisation and maintaining sufficient liquidity this year to ensure our financial resilience. One of the key factors in determining our success is our capacity to obtain cost-effective funding. The Group's capacity to control its total cost of capital, as well as the Group's ability to maintain strong credit metrics, are critical to our long-term viability and ability to fund any future expansion.

Strategic Priorities

- Concentration of investments in priority sectors of the economy such as renewable energy
- Diversification of investment portfolio
- Ensure investments meet the identified hurdle rate of the Group
- Effective use and trade-off of resources
- Management of cost structures
- Sustained growth of the value of the company
- Availability and access to affordable finance

Key Achievements

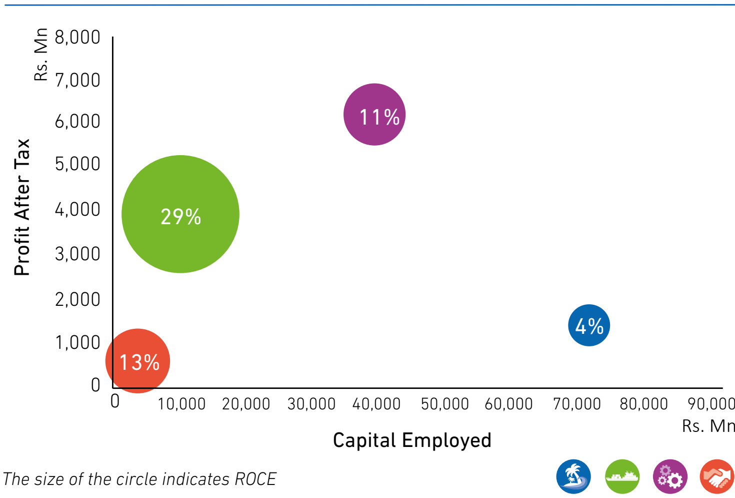
- Acquisition of Waltrim Energy hydro power plants for Rs. 900 million
- Repayment of interest-bearing borrowings and loans of Rs. 2.4 billion
- Return on equity of 18.3%
- Operating profit margin growth of over 100%
- Reduction in debt-to-equity ratio
- Improvement in Interest cover ratio

Way Forward

- Continuous focus on Liquidity
- Concentration of Investment in projects of strategic importance in Sri Lanka and renewable energy projects
- Constant maintenance of a healthy debt to equity ratio
- Maintaining a growth in operating margins across all business segments
- Meeting all debt obligations as required.

Aitken Spence PLC made a strong recovery recording a profit after tax of Rs. 12.2 billion in 2021/22 from a loss of Rs. 3.3 billion in 2020/21, creating substantial value for its investors. The turnaround was broad based with all sectors including Tourism recording positive contributions to the bottom line. Flexible strategy was key to recovery as we leveraged the geographical and multi-industry diversity to seek opportunities for growth. More importantly these results were delivered amidst significant challenges, not only crafting a recovery but recording the highest profits in the history of the Group.

Portfolio Returns



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Investment Philosophy

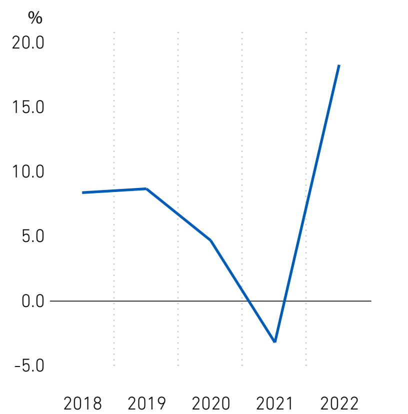
Aitken Spence PLC invests in projects that are aligned with the country's priority sectors and of strategic importance to Sri Lanka. These investments are typically linked to increasing foreign exchange earnings or providing solutions to the country's infrastructure needs with decisions to invest being dependent on the prevailing investment climate and the project's ability to meet the Group's hurdle rates. The Company also seeks opportunities for investments overseas to diversify its risks geographically and generate much needed foreign exchange earnings for the country.

Aitken Spence prides itself on having obtained the necessary approvals for its investments through transparent bidding processes, based on competitive bids where requests for proposals have been issued. The Group has a proud track record of completing all awarded projects. Additionally, the Group has maintained a prudent dividend policy, retaining sufficient funds for growth aspirations without recourse to new funds from shareholders.

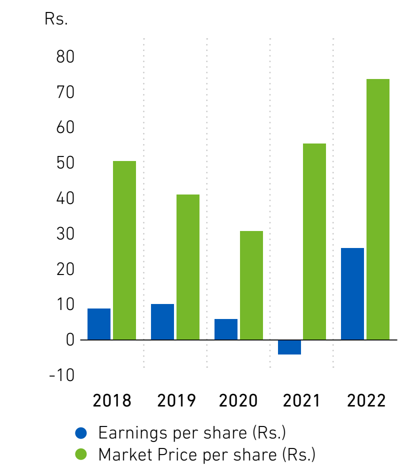
Value to Shareholders

Value to shareholders soared as the improved performance spurred upward movement in the share price and the significantly higher dividend declared, enabling shareholders to recover from the low returns in the previous year.

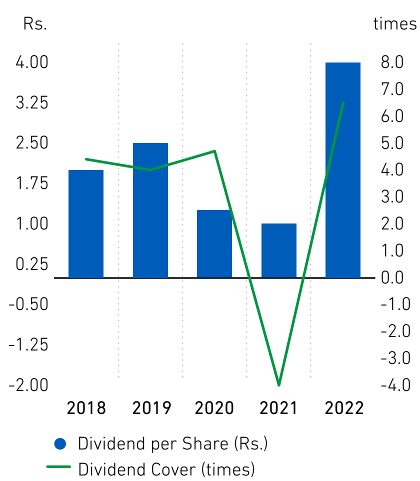
Return on Equity



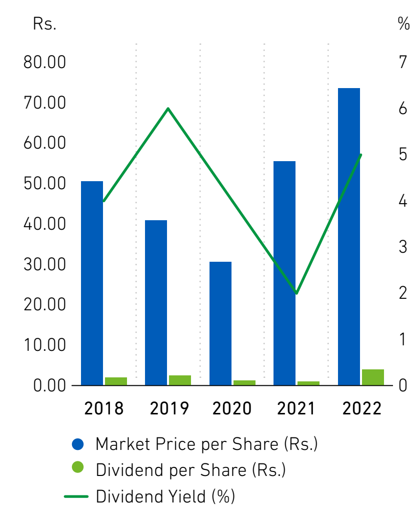
Earnings per Share vs Market Price per Share



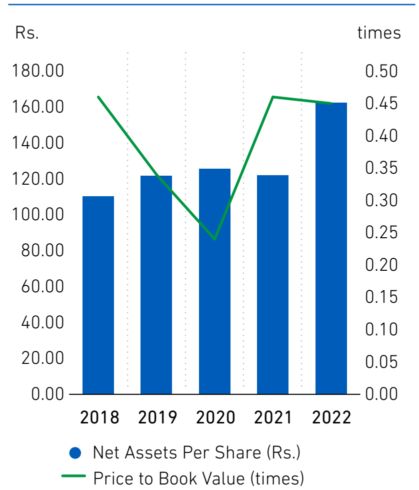
Dividend per Share and Dividend Cover



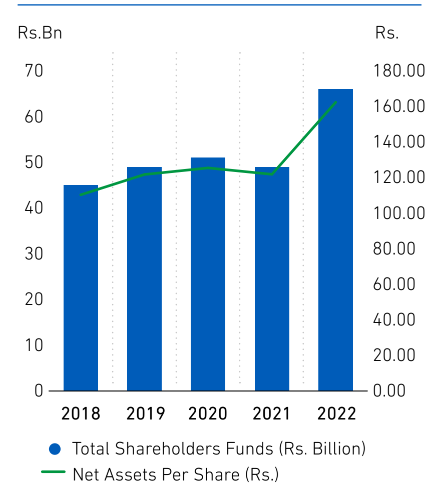
Dividend to Market Price



Net Assets Per Share vs Price to Book Value



Total Shareholder Funds & Net Assets Per Share



Financial Capital

Summarised Income statement

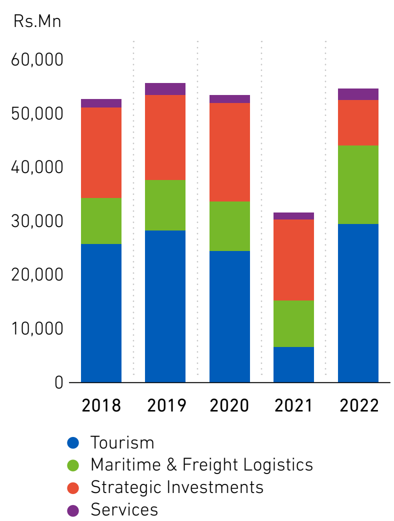
For the Year ended	2021/2022 Rs. Mn	2020/2021 Rs. Mn
Revenue	54,696	31,598
Revenue taxes	(544)	(137)
Net revenue	54,152	31,461
Other operating income	7,380	639
Operating Expenses	(45,145)	(32,961)
Profit from operations	16,387	(861)
Finance income	1,161	813
Finance expenses	(4,006)	(3,172)
Net finance expense	(2,845)	(2,359)
Share of profit / (loss) of equity-accounted investees	682	376
Profit before tax	14,224	(2,844)
Income tax expense	(2,068)	(470)
Profit for the period	12,156	(3,314)
Earnings per share	25.96	(4.00)

Earnings

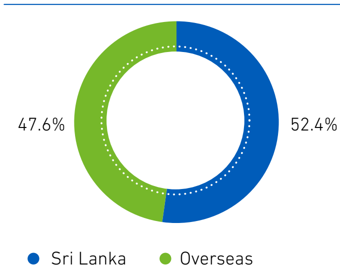
Revenue

Group revenue increased by 73.1% to Rs.54.7 billion with the strong recovery of the Tourism sector in the fourth quarter which accounted for 42.3% of revenue of the Tourism sector. It is notable that revenue from Tourism sector exceeded pre-pandemic levels recorded in 2019 with the sector once again demonstrating its ability to recover quickly. Maritime & Freight Logistics sector recorded its highest revenue with increases across the entire value chain and all locations. Revenue from Strategic Investments declined by 43.9% due to the expiry of the power purchase agreement of Ace Power Embilipitiya which was renewed only few days before the year end. Services sector recorded an increase in revenues of 69.1% as the activity levels increased in the insurance and elevators segments.

Revenue



Geographical Analysis of Revenue



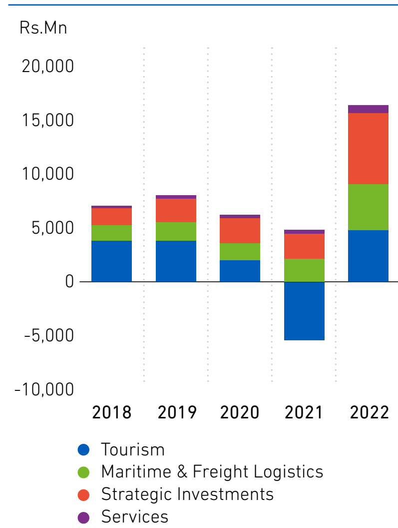
Operating Expenses

Operating expenses increased by 37.0% to Rs. 45.1 billion during the year as other direct expenses rose accounting for 45.4% of the annual cost. Two factors drove costs, the recovery of the Tourism sector which resulted in the corresponding increase in operating expenditure and the sharp devaluation of the rupee along with the high inflation witnessed towards the end of the financial year. Other indirect expenses and employee benefits expenses accounted for 14.0% and 21.6% of the total operating expenses recording increases of 65.2% and 44.3% respectively.

Operating Profit (EBIT)

The Group recovered from a loss of Rs. 861.1 million to an operating profit of Rs.16.4 billion with positive contributions from all sectors. The Tourism sector recovered from its losses in the previous year. The Strategic Investments sector was the highest contributor to operating profits, accounting for 40.2% while Tourism and Maritime & Freight Logistics accounted for 29.1% and 26.4% respectively. This reflects the increased profitability of all sectors.

Profit from Operations



Net Finance Costs

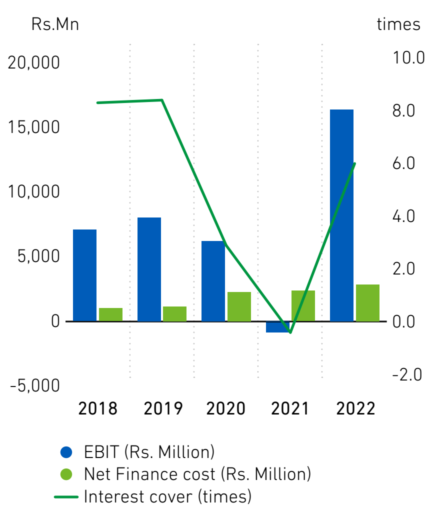
Net finance costs increased by 20.6% as interest rates edged upwards in the second half of the year and the Group borrowings increased by 34.7%. However, interest cover soared to 6.0 times recovering from a negative 0.4 times as EBIT turned from a negative to the highest recorded in the history of the Group.

Profit Before Tax

The Group made a phenomenal recovery from a loss before tax of Rs. 2.8 billion to record the highest profit before tax in its history of Rs. 14.2 billion as all sectors turned in strong results for the year. It is notable that Rs. 11.0 billion of the profits were recorded in the fourth quarter which is largely attributable to the strong performance of the Tourism, Maritime & Freight Logistics and Strategic Investments sectors which gathered momentum during this period.

For the Year ended	Quarter 1 2021/2022 Rs. Mn	Quarter 2 2021/2022 Rs. Mn	Quarter 3 2021/2022 Rs. Mn	Quarter 4 2021/2022 Rs. Mn	For the year 2021/2022 Rs. Mn
Tourism	(1,725.6)	(685.8)	1,654.9	3,208.0	2,451.6
Maritime & Freight Logistics	845.1	938.9	1,077.0	2,071.6	4,932.6
Strategic Investments	296.1	252.8	181.2	5,402.0	6,132.1
Services	117.0	228.1	91.0	271.8	708.0
Total	(467.3)	734.0	3,004.1	10,953.4	14,224.2

Net Interest Cost and Interest Cover



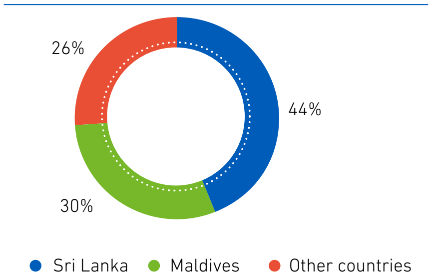
Taxation

The income tax liability for the year increased from Rs. 470 million to Rs. 2.1 billion, which comprised of corporate income tax of Rs. 1.4 billion and deferred tax of Rs. 685 million. The effective tax rate for the Group for the year was 14.5%. The Group continues to enjoy a relatively low effective tax rate as most of the Group's investments are in priority sectors which currently enjoy concessionary tax rates. In addition, the Company and its subsidiaries utilised 6.6 billion of brought forward tax losses in arriving at the income tax liability of Rs. 1.4 billion.

The Group operates in eight 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 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 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 appropriately manage the tax positions. The Group is also responsible for collecting and remitting Pay-As-You Earn (PAYE), Advance Personal Income Tax (APIT) and Value Added Tax (VAT) 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.

Geographical Analysis of Income Tax

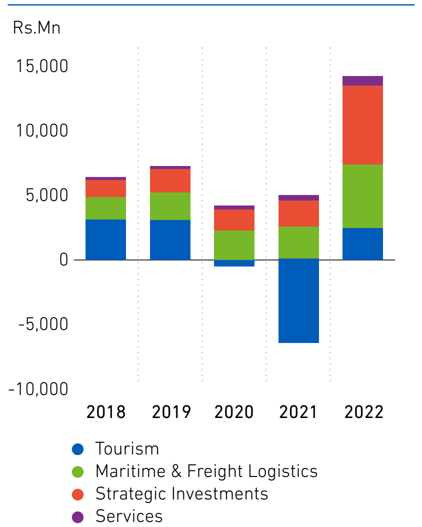


Financial Capital

Profit After Tax

The Group recorded its highest post-tax profit of Rs. 12.2 billion recovering from a loss of Rs. 3.3 billion as all sectors delivered a strong growth. The Strategic Investments sector was the highest contributor to the profits of the year, closely followed by the Maritime & Freight Logistics Sector which accounted for 51.2% and 32.5% respectively while the Tourism sector accounted for 11.8%. The Services sector accounted for 4.4% of the Group's profit after tax.

Profit before Taxation



Growth

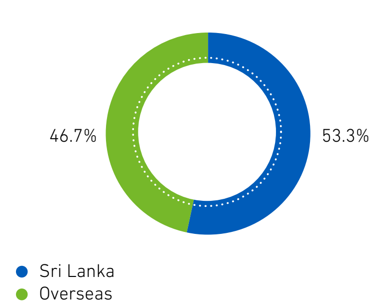
Total assets increased by 34.3% to Rs. 197.3 billion by 31st March 2022 driven by growth of property, plant & equipment, trade & other receivables, other current assets and cash & cash equivalents. Property, plant and equipment reflects the expansion of the power generation segment portfolio with the acquisition of 6.6MW of hydro power capacity, the capacity expansion in the container freight station and investments by the Tourism sector in strengthening IT infrastructure as well as renovation, all of which serve to enhance the Group's earnings capacity.

Foreign currency translation of trade and other receivables at the balance sheet date was the main reason for the increase in trade receivables and other current assets.

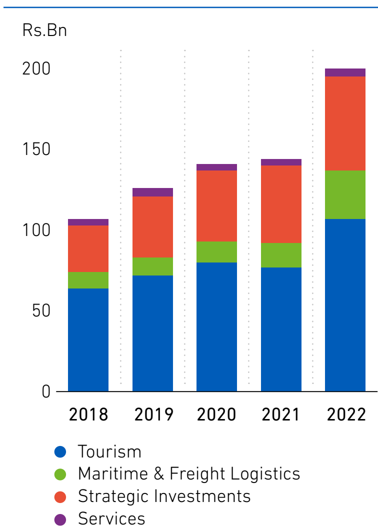
Summarised statement of financial positions

As at	31.03.2022 Rs. Mn	31.03.2021 Rs. Mn
Non-current assets	127,930	105,731
Property, plant and equipment	95,810	79,826
Right-of-use assets	18,845	14,060
Investments in equity-accounted investees	8,564	7,080
Current assets	67,664	40,006
Inventories	3,859	2,355
Trade and other receivables	21,136	13,913
Other Current assets	25,128	14,378
Cash and short-term deposits	15,344	7,979
Assets classified as held for sale	1,751	1,243
Total assets	197,346	146,980
Equity Attributable to Shareholders	65,949	49,490
Non-controlling interests	11,497	9,702
Total equity	77,446	59,192
Non-current Liabilities	69,870	54,848
Interest-bearing loans and borrowings	49,275	38,910
Lease liabilities	15,835	11,854
Current liabilities	50,030	32,940
Interest-bearing loans and borrowings	8,677	4,115
Lease liabilities	1,570	1,279
Trade and other payables	29,507	12,205
Bank overdrafts and other short-term borrowings	9,617	15,083
Total equity and liabilities	197,346	146,980

Geographical Analysis of Total Assets



Total Assets



Resilience

The total assets of the company are financed by 33.4% equity, 5.8% non-controlling interest, and 60.8% non-current and current liabilities, including lease liabilities. The total non-current and current liabilities increased by 36.6%, owing mostly to the revaluation of foreign currency non-current and current liabilities at the balance sheet date. The 47% depreciation of the Sri Lankan rupee against the USD by the conclusion of the financial year had a negative impact on liabilities denominated in foreign currency.

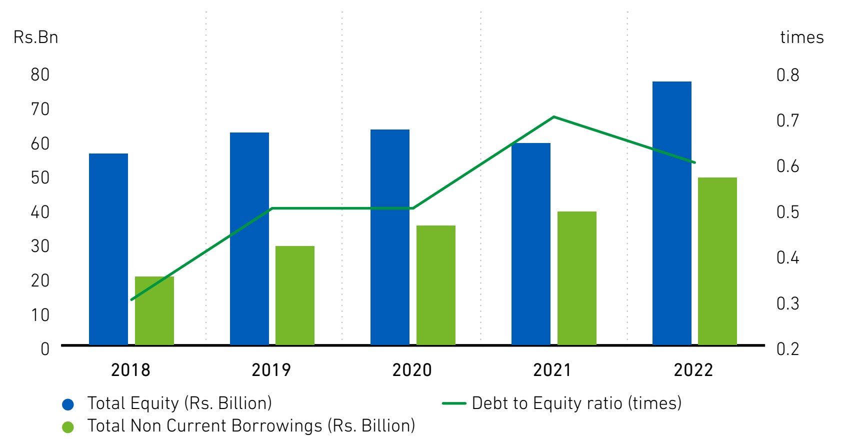
The increase in current liabilities is countered by the fact that the Company's current assets which had a significant foreign currency denominated assets base, increased dramatically as a result of the rupee's steep depreciation in March 2022, resulting in an improvement in the current asset ratio to 1.35 times from 1.21 times.

The net exposure of foreign currency financial assets and liabilities at the balance sheet date are given below which reflects a prudent net assets position.

Net Exposures as at 31st March 2022 Financial Assets/(Liabilities)	
US$	72.5 Mn
Euro	(33.5 Mn)

As at	31.03.2022	31.03.2021
Net Assets Per Share (Rs.)	162.44	121.90
Current Ratio (times)	1.35	1.21
Quick Asset Ratio (times)	1.28	1.14
Debt: Equity Ratio (times)	0.64	0.66

Debt to Equity Comparison



Managing our liquidity profile

The Group places a special emphasis on managing its liquidity profile, as a shortfall in liquidity would have a negative impact on stakeholder confidence in the Group and hamper its operations. The liquidity profile is monitored and managed by the Group treasury which takes into account forecast cash inflows and outflows and ensures that there are adequate liquidity buffers available to meet unforeseen circumstances. The Group has ensured that there is always an adequate quantum of approved bank facilities available to meet regular working capital needs as well as contingencies. As at end of the financial year 2021/22 approved undrawn bank facilities available to the Group exceeded Rs. 28.3 billion which is a Rs. 10.6 billion increase from the previous year. The Group maintains a constant dialogue with the banking sector institutions to ensure that there are sufficient working capital facilities available whenever required and the Group treasury closely monitors their utilisation. In addition to the procurement of bank facilities, at opportune moments long term funds are mobilised by accessing capital markets.

In addition to the procurement of adequate external funding facilities, shortening the working capital cycle is one of the main priorities in ensuring that there is sufficient liquidity at a given time. Constant follow up on debtor balances and ensuring receivables are collected at the shortest possible time is an important step in managing the Group's liquidity profile.

The Group treasury takes cognizance of future cash outflow requirements when making investment decisions regarding surplus cash balances, which are usually invested either in government securities or deposits with banks having superior credit ratings. The maturity profile of such investments is structured to match forecast outflow requirements so that sufficient funds are available for the Group's requirements at all times.

The Group's liquidity management philosophy requires not only the measurement and provision of sufficient funds on an ongoing basis for operations but also the analysis and

Financial Capital

examination of how funding requirements are likely to evolve under scenarios which are the outcomes of strategic directions taken by the various business units. The Group treasury maintains a close dialogue with SBUs of the Group to understand their future needs for funding well in advance of the actual requirement.

Protecting against interest rate and forex movements

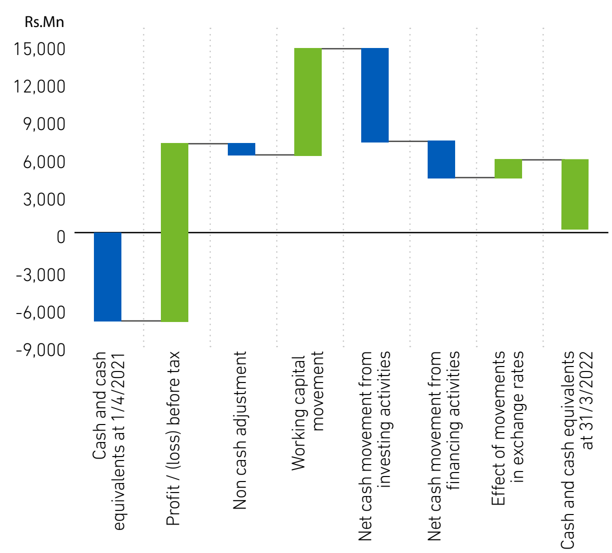
Unforeseen fluctuations in interest rates and foreign exchange rates could have potentially serious impacts on the operations of the Group. The Group treasury monitors the interest rate environment on a continuous basis to advise the sector finance managers on the most suitable strategy with regard to 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 financial years and structures short term borrowings on variable interest rates primarily to take advantage of downward movements in interest cycles with safeguards such as pre-settlement clauses without penalties being built into agreements. The Group treasury often makes matching investments with a view to minimise adverse effects of sudden fluctuations of interest rates which otherwise may impact the Group's profitability. Instruments such as interest rate swaps are also used as and when required to minimise adverse impacts of rate movements.

The Group is primarily a net foreign exchange earner with segments such as travels, and hotels generating a substantial inflow of foreign currencies from foreign customers as well as their significant overseas presence. Usually, only those SBUs having foreign currency revenue incur matching foreign currency denominated debt in order to minimise any adverse impact from a depreciating LKR. Matching a foreign currency liability with an equivalent foreign currency asset is another strategy used by the Group to protect against exchange rate fluctuations. Selectively entering into forward contracts when future cash flows can be estimated with reasonable accuracy with regard to amounts as well as timing is also practiced. The Group treasury monitors foreign exchange markets on a continuous basis and advises SBUs on appropriate risk mitigating strategies. The rapid devaluation of the LKR during recent months coupled with the foreign exchange liquidity crisis have posed unique challenges which the Group is confident of successfully managing through a combination of risk mitigation strategies as explained herein.

Cash flows

Many of the Group's businesses have strong cash flows throughout the year. Similarly, this year also saw steady cashflow generation across all sectors of the Group recording Rs. 5.6 billion in the first three quarters of the year. An excellent fourth quarter saw cashflow generation nearly double as it increased to Rs. 11.3 billion with strong performance from all sectors of the Group.

Movement of cash and cash equivalents during the year



Foreign Exchange generated to the County by the Company

The Group in its investments in economically vital activities has consistently been a facilitator of foreign currency generation to the country. Almost all sixteen segments in which the Group operates contributes positively towards the inflow of foreign currency to the country.

Despite the significant slowdown of economic activity during the past two years the Group has been able to facilitate the inflow of foreign exchange to the equivalent of Rs. 48.0 billion and Rs. 40.8 billion respectively in the financial year 2020/21 and 2021/22. The decline in the current financial year is due to the overall drop in worker remittances witnessed by the country which was also experienced in similar proportion by the Group's money transfer segment which is reflected under the Services sector.

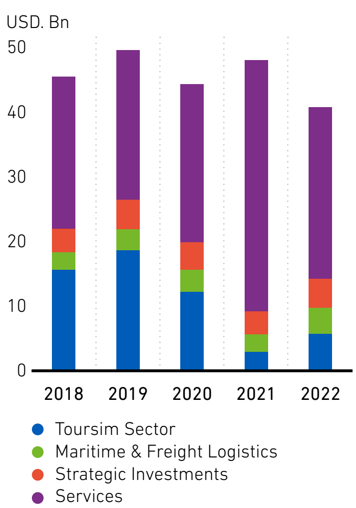
The gradual revival of the tourism industry mainly towards the latter part of the financial year resulted in the foreign currency generation by the Tourism sector nearly doubling compared to the previous year. The Tourism sector also accounts for 14.0% of the Group's contribution to foreign currency generation to the country.

A 46.9% and 25.6% increase respectively was seen in the foreign currency generation facilitated by the Maritime & Freight Logistics sector and the Strategic Investment Sector, with their contribution to the total Group volumes standing at 9.8% and 11.0% for the year.

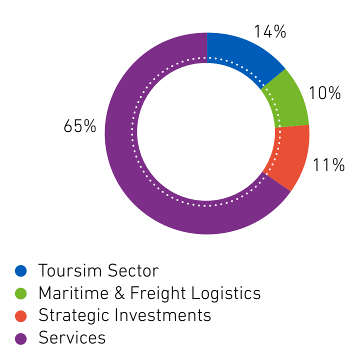
Facilitation of Foreign Currency to the Country

For the year ended 31st March	2018 Rs.Bn	2019 Rs.Bn	2020 Rs.Bn	2021 Rs.Bn	2022 Rs.Bn
Tourism	15.6	18.6	12.2	2.9	5.7
Maritime & Freight Logistics	2.7	3.3	3.4	2.7	4.0
Strategic Investments	3.7	4.5	4.3	3.6	4.5
Services	23.5	23.2	24.4	38.8	26.6
	45.5	49.7	44.3	48.0	40.8

Foreign Currency Generation to the Country



Foreign Currency Generation to the Country 2021/22



Financial Capital

Value Added to Stakeholders

As at		31.03.2022 Rs. '000		31.03.2021 Rs. '000
Total revenue		54,696,051		31,597,505
Purchase of goods and services		(30,660,498)		(21,700,938)
		24,035,553		9,896,567
Other operating and interest income		8,540,762		1,451,805
Share of profits of equity-accounted investees		682,231		375,833
Total value added by the Group		33,258,546		11,724,205
Distributed as follows				
To governments				
(income tax and revenue tax)	7.9%	2,612,182	5.2%	606,121
To employees				
(salaries and other costs)	29.3%	9,761,301	57.7%	6,765,633
To lenders of capital				
(interest on loan capital and non-controlling interests)	16.4%	5,463,359	11.8%	1,384,077
To shareholders				
(dividends)	4.9%	1,623,984	3.5%	405,996
Retained for reinvestments and future growth				
(depreciation & retained profits)	41.5%	13,797,720	21.9%	2,562,378
	100.0%	33,258,546	100%	11,724,205

The strategically diverse operations of the Aitken Spence Group was able to contribute a positive value creation of Rs. 33.2 billion to the economy during the year 2021/22. This was a significant growth over the previous year due to the recovery witnessed by the Tourism sector and the Maritime & Freight Logistics sector recording the highest ever performance during the year. The growth in the Strategic Investments sector was led by the performance of the plantations segment while being assisted by foreign exchange gains recorded mainly at the holding company level.

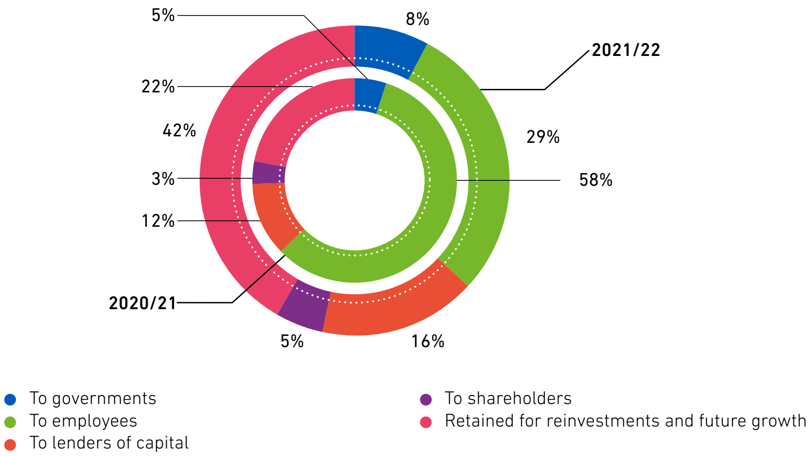
The distribution to employees witnessed a significant increase during the year to reach a figure of Rs. 9.8 billion compared to Rs. 6.8 billion in the previous year. This was mainly owing to the voluntary salary reductions undertaken by almost all Spensonians last year to aid the Group through one of its most difficult periods due to the impacts of COVID.

The amount applicable to lenders of capital also saw an increase during the year to Rs. 5.5 billion from Rs. 1.4 billion last year as a result of the amount due to non-controlling minority holders being a negative in the previous year. The Group also recorded an increase in interest cost during the year under review.

The amounts paid to governments accounted for 7.9% of the total value creation totalling Rs. 2.6 billion as opposed to 5.2% distributed in the previous year. The payment to shareholders also increased from 3.5% distribution last year to 4.9% distribution this year. This provided a total payment of Rs. 1.6 billion to shareholders for 2021/22.

41.5% of the value created was retained by the Group for the use of future growth and expansion.

Distribution of Value Created



Value Created and Distribution of Value Created