

# Chairman's Statement



**Deshamanya D.H.S. Jayawardena**  
Chairman



**Rs. 10.5 Bn**

Profit attributable to equity  
holders of the Company

"Aitken Spence PLC was recognised in the global ranking of **Top 100 Companies in Sustainability 2022**, in an independent assessment carried out by 'Sustainability' magazine, an international publication."

At present, our island nation is experiencing one of its most difficult periods since post-independence. The lack of foreign reserves in Sri Lanka has caused the country to declare a pre-emptive negotiated default on its sovereign debt. This has created heightened pressure on the Sri Lankan Rupee which has depreciated by 76% during the first four months of 2022, resulting in high inflation in essential goods and services causing significant hardship to people.

As a measure to curb inflation the policy rates were increased substantially by the Central Bank which would have a long term impact on future investments.

As a nation, we need to reflect on why we have failed, to have a "Sri Lankan moment" of progress in the world, despite the high social development status in Sri Lanka. Every facet of the country has been politicised in the past. Essential pre-requisites and competencies required for the key decision-making positions in the country, have not been given due importance when appointing public officials. This has resulted in uninformed decisions being made to the detriment of the socio-economic progress of the country. Despite being a country strategically located with many opportunities for growth, we have failed to realise our potential over the past 70+ years while other countries with

similar prospects, such as Vietnam and Bangladesh have multiplied their GDP.

### Governance, accountability & transparency

The country's private sector has established corporate structures and cultures that require leaders to own their successes and failures with transparency and accountability to all stakeholders. As a nation, we need to focus on governance structures that integrate accountability into everyday decisions, making it the norm instead of the exception. Public governance must be strengthened with frameworks for accountability which is similar to the private sector. Adherence to these frameworks is essential if we are to deliver performance, progress and resilience of institutions as we are now paying the price of failure to do so. Government authorities and organisations must recognise that they are accountable to the people. There must be greater accountability and understanding of the responsibility that comes with power and the need to use it for the benefit of the country.

Transparency in awarding of large projects and related procedures at all Sri Lankan government institutions are a prerequisite to attract investments and boost investor confidence to bring the best outcome for Sri Lanka.

### Policy matters

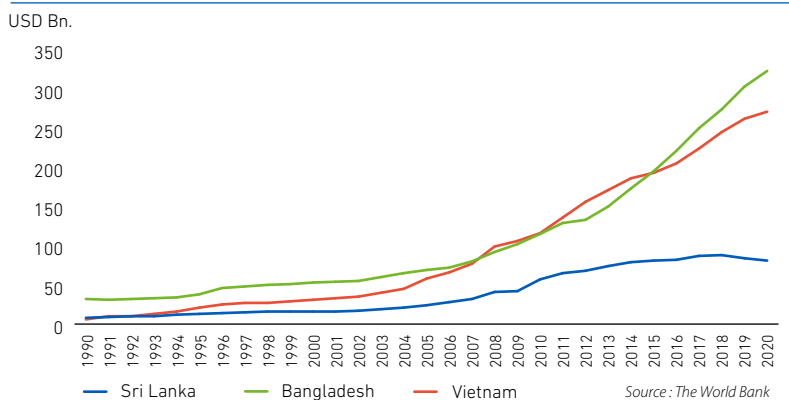
Once political stability is established, appropriate and consistent policies are essential for the progress of the country, and to encourage businesses to invest for the long term while attracting foreign direct investments to improve depleted reserves. Ease of doing business and access to finance must be addressed to create an enabling environment for entrepreneurs to thrive. Implementation of policies should follow systematic analysis with relevant experts and engagement with all stakeholders to achieve sustainable growth and prosperity.

The foreign exchange crisis requires immediate resolution if we are to revive the ailing economy. Other monetary policies such as import controls and foreign exchange restrictions that affect domestic companies should be alleviated with necessary checks and balances to curtail growth of deficits. The energy requirement of the nation needs to be addressed with more immediate investments in renewable energy. As a country endowed with abundant access to solar energy the necessary incentives and frameworks must be implemented to encourage an accelerated shift towards renewable energy.

Fiscal policy needs to be fair to all stakeholders of society. Low-income earners must be provided relief by increasing the weightage of progressive taxes rather than the regressive consumption-based taxes that increase inequalities. The government must also build credibility and curtail unproductive expenses with the same rigour as they implement tax collections.

Building foreign investor confidence requires the establishment of the rule of law, an equal playing field, and discipline in all quarters. Basic infrastructure and utilities such as energy and fuel must be made available to facilitate uninterrupted business operations. Additionally, there must be one consistent policy for foreign

### GDP



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and local investments which does not change every four to five years.

The digital infrastructure of the country is key to realising the vision for a digital Sri Lanka. While the country has made progress on coverage, there is an urgent need for improved speeds and reliable connections to drive growth of the burgeoning tech industry which has seen promising growth. The industry is key for our integration into an increasingly digital global economy, connecting Sri Lankans to opportunities, creating jobs and as a growing and stable source of foreign exchange inflows.

It is necessary for the country to develop and tap into the potential of the informal sector which is responsible for the creation of employment for nearly 5 million people out of a labour force of over 8 million. This highlights the urgent need for micro small and medium enterprise (MSME) friendly policies in the country which will support growth and reduce vulnerabilities in this key employment segment.

## Aitken Spence performance

Aitken Spence PLC recorded consolidated pre-tax earnings of Rs.14.2 billion for the financial year as we steered a broad-based recovery from the pre-tax loss of

Rs.2.8 billion the previous year, to record the highest profit in the history of the Group. All sectors and key segments of the Group's diversified portfolio contributed positively to the bottom line reflecting the Spensonians' indomitable will to succeed in the tasks undertaken. The Maritime & Freight Logistics sector recorded its highest pre-tax earnings of Rs.4.9 billion supported by the Group's broad presence across the entire value chain which resulted in significant Group synergies. The Tourism sector also recovered from the lockdowns and uncertainties of the first three quarters to deliver a strong fourth quarter which enabled this geographically diverse sector to record Rs.2.5 billion pre-tax earnings.

Our strategy has been to invest in areas identified as priority sectors which generate foreign exchange to the country, resulting in inclusive and sustainable growth. Our investments in the waste to energy power plant, Heritage Aarah and the acquisition of Waltrim Hydropower are recent examples of investments made in priority sectors. The delayed settlement of dues by the Ceylon Electricity Board poses a problem to the power generation segment as it exerts pressure on the Group's cashflow and leads to high cost of short-term funding.

Exemplifying our commitment to inclusive and sustainable growth, Aitken Spence PLC was recognised in the global ranking of Top 100 Companies in Sustainability 2022, in an independent assessment carried out by 'Sustainability' magazine, an international publication. Aitken Spence is the only Sri Lankan company to have been included in this ranking of global industry leaders.

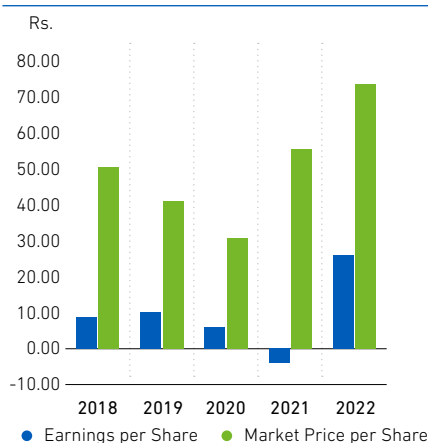
## Unswerving commitment to ESG

Our voluntary endorsement of the UN Global Compact marks 20 years in May 2022. We remain committed with our teams actively engaged to internalise its Ten Principles on the key priorities of human rights, labour standards, environment, and anti-corruption within our operations. We continue to contribute positively towards the achievement of the Sustainable Development Goals through our operations. The Group's commitment to environmental, social governance (ESG) has matured over the years as affirmed by a plethora of management systems and certifications on multiple aspects across the Group. At its core are the Spensonian values and ethics which are articulated in the Employee Code of Ethics & Professional Conduct which also covers its stance on anti-bribery and corruption. These are further reinforced by the framework of policies on ESG and IT matters creating a solid foundation for building the future of the Group.

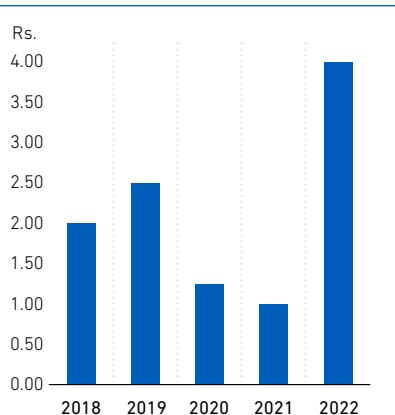
## Resilient and poised for growth

The Group's balance sheet strengthened significantly as equity increased by 30.8% to Rs.77.4 billion boosted by retained earnings. Total assets growth of 34.3% to Rs.197.3 billion, was driven by capital expenditure increasing the earnings capacity and increased working capital. The Group's debt to equity position improved from 0.66 to 0.64 as we maintained a conservative approach to debt financing for expansion anticipating

**Earnings per Share vs Market Price per Share**



**Dividends Per Share**



a rise in interest rates. A strong balance sheet with headroom for debt infusion puts Aitken Spence in a sound position for growth.

### Value to stakeholders

The strong recovery saw earnings per share improve from a negative Rs. 4.00 in 2020/2021 to a positive Rs. 25.96 in 2021/2022 increasing the attractiveness of the Group. The stellar performance and a buoyant share market saw the share price improve from Rs.55.50 at the beginning of the year to a high of Rs.109.00 by February 2022, maintaining its resilience despite the sharp decline of the share market in February and March 2022. The interim dividends declared amount to Rs. 4.00 per share giving shareholders a total return of 40.0% including capital gains.

Importantly, the Group safeguarded the livelihoods of employees and ensured they were cared for through the pandemic with a holistic care package. We also supported our business partners who were adversely affected by the pandemic with each sector adopting suitable mechanisms. Throughout, we were focused on enhancing the value proposition to the customer through product and service innovations and transformation of our processes.

### Outlook for 2022/2023

It is heartening to note that Sri Lankans have taken the first steps toward unity to find sustainable solutions for the problems that have persisted for many decades. The path ahead will be challenging as austerity is never palatable but necessary to establish the financial and fiscal discipline that paves the way for a sustained recovery. It is paramount that the country obtains the necessary support from the international community to avert an escalation of the current socio-economic crisis. Supporting the MSME sector is vital to ensure that the social stability

is restored by protecting livelihoods and creating growth in the respective industries and markets. Moreover higher value exports, tourism, clean energy and increased productivity are key to economic recovery. It is imperative that we retain the bright minds and skilled hands the country has invested in developing over the last several years. This means that we need to give hope and enable our youth to envision a productive future in their country, curtailing the brain drain that is underway. We need to strengthen ongoing collaborations with training institutes for diverse technical and soft skills, to ensure that we create talent pools with the right skills to build a more resilient economy. We must also build an enabling environment where their talents can be utilised to their full potential and worth.

Globally, the economic damage from the Russia-Ukraine conflict is expected to slowdown global growth and increase prices of food and fuel. This will impact low-income economies. Multilateral efforts are essential to manage the situation and ensure that this conflict does not spread to neighbouring countries.

### Future outlook

Aitken Spence has the infrastructure, talent and competencies in place to drive growth through improved capacity utilisation in the industries we operate in. Growth in these industries can strengthen the country's foreign exchange earnings as we have seen in the past. We are also aggressively looking out for further investment opportunities through acquisition and expansion both locally and overseas. Further expanding the global footprint of the Group will facilitate greater foreign exchange inflows to the country. We will also invest aggressively in technological developments and digitisation of processes to take the company into the fifth industrial revolution.

### Acknowledgements

The Group's stellar results would not have been possible without the efficiency and exceptional ability of our Spenonians across the globe. I commend and thank the wise counsel and direction of our Board of Directors and each and every Spenonian for their hard work and commitment that has delivered the outstanding performance this financial year. I make a special note of appreciation of the transformational leadership of the Deputy Chairman, members of the Group Supervisory Board, members of the Management Council and the Senior Management Team. I thank you and commend you for your focus, dedication, and ability to adapt and remain agile whilst successfully staying on course. I would like to also express my gratitude to our customers, investors, joint venture partners, principals, and other business partners for their understanding, unwavering collaboration, and support throughout the financial year.

I look forward to your continued trust and cooperation as we stay focused on driving solid sustainable growth in our journey ahead as we steer into what may be yet another tough year across the globe. I remain optimistic in the ability of Spenonians and Sri Lankans alike to unite as one to overcome crisis situations and future obstacles as we forge a new path ahead.



Deshamanya D.H.S. Jayawardena  
Chairman

31st May 2022