

CHAIRMAN'S REPORT



“ I am delighted to be able to tell you that we have had a very good year. Revenue has increased by 21.2% to Rs. 26.1Bn. EBITDA has increased by 29.8% to Rs. 3.2Bn. Profit before tax has increased by 58.2% to Rs. 2.4Bn and earnings have increased by 42.3% to Rs. 1.7Bn. ”

The strategy for the future has to be formulated in the context of what we see in the crystal ball. We see cause for optimism. The economic fundamentals appear to be sound. GDP growth is good. The ratios of debt and the current account deficit are not at alarming levels, and it is good to learn that the Treasury is committed to improving them. Foreign reserves underpinned by the reliable inflow of foreign remittances are good. The other encouraging feature has been the Government's ability to sell its bonds in the international market. The non-government issues have also fared well.

The only worrying question is whether the human rights kerfuffle created by the diaspora, will spoil the picture. Unlikely! Our society is such that there are no secrets. Whispers and rumours bring everything into the public domain. Every war has civilian casualties. The question is have civilians been targeted outside the areas of conflict. There has not been any credible evidence that the Armed forces have done this.

After 30 years of war with the Tigers who had no qualms about killing civilians, to provide reconciliation, rehabilitation, and resettlement, is arguably magnanimous. Much has been done and it is work in progress. Even the recent visiting Australian parliamentarians have acknowledged and commended what has been done.

I believe that there is no cause for concern that the efforts of the foreign diaspora will impede our economic growth.

Your Board has formulated a strategy in the context of this rather positive view of the future. It is committed to driving shareholder value by sustaining a growth in earnings and ROCE. At the same time it will continue to invest in new activities to build for the future. We have active plans for expanding our pharmaceuticals and personal care sectors. As part of this

strategy, we successfully completed the acquisition of J L Morison Son & Jones (Ceylon) PLC. We plan to commence construction of a major new Hotel property and are also exploring other options. The construction of the new Hospital at Thalawathugoda was completed in May 2013. We have plans for further growth in renewable power and we have a number of projects in the transportation area. The challenge is to balance the two objectives of new activities and earnings growth. We are confident that by sustaining our cash generation and by using a judicious mix of equity and debt, that we can manage the finance costs and sustain a growth in earnings.

I have, in my previous reports, often referred to our journey from a family business to a sound public company with good governance. Good processes and governance are well entrenched in the business. This journey is in its penultimate stage. We will have outstanding professional management in all our sectors. At the same time, the great entrepreneurial spirit of the founding family who created this business will be retained by a symbiotic relationship through their roles on the Boards of the operating companies.

As we expand our activities, the Board is very conscious that it is good people that will make the difference. The Remuneration Committee has been pursuing a structured programme to recruit, develop, motivate and retain senior management.

The CEO in his report has dealt with the performance in detail. I will, therefore, not repeat all this and will confine my comments to the overall results.

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increased by 42.3% to Rs. 1.7Bn. Good cash generation is one of the strengths of this business. In the year under review cash generation from operations was Rs. 2.1Bn. We are pleased with the good performance from all sectors.

Your Directors have declared a dividend of Rs. 0.55 per share and this is an increase of 10% on the dividend in the previous year.

We are fortunate to have an excellent group of Non- Executive Directors with vast experience. They have made huge contribution to the development of the business. I am grateful to them and to our Executive Directors whose long experience with the business has been most valuable when charting our plans for the future.

The CEO has done a magnificent job in providing leadership to the Group and should take great pride in the results. He has also been the champion of restructuring our Group to make it a dynamic organisation that will be well placed to pursue our plans for the future. Last but by no means least I must thank all our staff for our good results which is their collective achievement.



Lalith De Mel
Chairman

31 May 2013