RESILIENCE IN INVESTING

John Keells Holdings PLC
Annual Report 2020/21

RESILIENCE IN INVESTING

John Keells is an iconic business enterprise with a heritage of over 150 years and a reputation for strength, stability and resilience. Over the years, we have evolved our business model around a diverse portfolio of business sectors, curated to reflect the most prominent growth sectors of the economy. As one of Sri Lanka's largest diversified conglomerates, we strive to maintain the highest standards of governance and transparency, as we innovate with the latest digital technologies and invest in sustainable initiatives throughout our supply chains, creating employment and empowering rural communities across the island.

Our story over the last few years has been characterised by our commitment to invest in both the tangible expansion of our businesses and the building of softer skills, which are of equal importance. Despite two challenging and unprecedented years, these investments have continued steadfastly, maintaining the depth and breadth of our long-term investment strategy which is now poised to come to fruition.

Investments in recent years have focused on a refurbished portfolio of Leisure properties and the acquisition of a long-term lease on a new hotel in the Maldives. The Group has also doubled its store footprint in the Supermarket business to over 120 outlets over the last three years while investing heavily in building its brand value, and enhanced its capacity and capability in the Frozen Confectionery and Insurance businesses. We consolidated our strategy in land banking to enable monetisation to generate steady returns to the Group. The most significant investment in our portfolio, 'Cinnamon Life', is nearing completion – a long and arduous journey over the last six plus years is now on the verge of transforming the city of Colombo and being a catalyst for tourism in the country, with revenue and profit recognition about to commence from the handover of the Residential and Office units.

Our 'Resilience in Investing' is not merely based on the investment of financial capital – we have been pioneers and early adopters in many aspects of corporate transformation, whether it be adopting governance, sustainability or people related practices ahead of time. In recent years, we have pioneered a ground-breaking data analytics transformation journey, leveraging our unique data across our diverse portfolio in our vision to create value, by converting advanced analytics insights into frontline business interventions. We serve a diverse constitution of groups and individuals; from customers and communities to shareholders, suppliers, partners and employees, where our actions impact many different lives in many different ways. Our commitment to non-discrimination and equal opportunity continues to strengthen as exemplified by the launch of our 'ONE JKH' brand, together with an increased emphasis on gender parity and inclusion, where our goal is to increase the number of women in the workforce to 40 per cent.

The journey over the last couple of years has been challenging, to say the least, however, your company has weathered this storm through its 'Resilience in Investing', setting itself a strong platform for growth. Your company is now poised to fully benefit from its investments in the ensuing year and beyond.

John Keells Group

JOHN KEELLS HOLDINGS PLC

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GROUP HIGHLIGHTS

MANAGEMENT DISCUSSION AND ANALYSIS

NAVIGATING THIS REPORT

This Annual Report is available on our website:

www.keells.com/resource/annual-report/John_Keells_Holdings_PLC_AR_2020_21_CSE.pdf

Reporting Guides

- Reference to other pages within the Report
- Reference to further reading online
- Details of CSR projects available on www.johnkeellsfoundation.com/

Capital Guides

- Financial and Manufactured Capital
- Natural Capital
- Human Capital
- Social and Relationship Capital
- Intellectual Capital

GOVERNANCE

FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

Further Reading Online

The Group has a variety of reporting formats to meet diverse stakeholder requirements.

www.keells.com/governance

- Director and Management Profiles
- Corporate Governance Commentary
- Sustainability Integration, Stakeholder Engagement and Materiality
- Risks, Opportunities and Internal Controls
- Articles of Association
- Progress Report UN Global Compact Initiatives

ABOUT US

John Keells Holdings PLC (JKH) is one of the largest listed companies on the Colombo Stock Exchange, with business interests primarily in Transportation, Consumer Foods, Retail, Leisure, Property and Financial Services. Started in the early 1870s as a produce and exchange broking business by two Englishmen, Edwin and George John, the Group has been known to constantly re-align, re-position and re-invent itself in pursuing growth sectors of the time.

JKH was incorporated as a public limited liability company in 1979 and obtained a listing on the Colombo Stock Exchange in 1986. Having issued Global Depository Receipts (GDRs) which were listed on the Luxembourg Stock Exchange, JKH became the first Sri Lankan company to be listed overseas.

The Group's investment philosophy is based on a positive outlook, bold approach, commitment to delivery and flexibility to change. JKH is also committed to maintaining integrity, ethical dealings, sustainable development and greater social responsibility in a multi-stakeholder context. JKH is a full member of the World Economic Forum and a Participant member of the UN Global Compact.

The Holding Company of the Group, John Keells Holdings PLC, is based at 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2 and has offices and businesses located across Sri Lanka and the Maldives.

INTRODUCTION TO THE REPORT

We are pleased to present our sixth Integrated Report in accordance with the International <IR> Framework of the International Integrated Reporting Council (IIRC).

The Report strives to deliver a balanced and relevant report that will bring clarity and detail to the complex task of reporting a year of diverse business operations across multiple sectors.

STANDARDS AND PRINCIPLES

Reporting

- International <IR> Framework of the IIRC

Governance, Risk Management and Operations

- Laws and regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars
- Code of Best Practice on Corporate Governance (2013) jointly advocated by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka, to the extent of business exigency and as required by the Group

Financial Reporting

- Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka

Sustainability Reporting

- This Report has been prepared in accordance with the GRI Standards: Core option of reporting
- Aligned to United Nations Sustainable Development Goals
- Operations in conformity with the Principles of the United Nations Global Compact
- Environmental, Social and Governance (ESG) disclosures through the <IR> framework and operations in conformity with the Principles of the United Nations Global Compact

This Report reflects on:

- The value creation model of the Group, combining different forms of Capital in the short, medium and long-term
- Governance, risk management and sustainability frameworks entrenched within the John Keells Group
- Financial, operational, environmental and social review and results of the Group

In keeping this Report concise as possible and pertinent to the year under review, we have ensured that the commentaries in certain sections are limited to a helicopter view of the events and progress within the year, whilst the Group's standard policies, operating guidelines and management approaches are available on the corporate website.

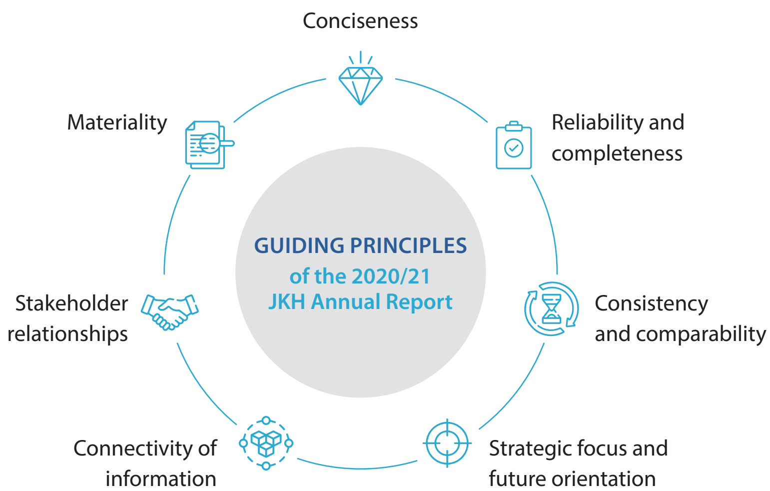
SCOPE AND BOUNDARY

The John Keells Annual Report 2020/21 is a reflection of the Group's integrated approach of management during the period from 1 April 2020 to 31 March 2021. Material events post this reporting period, up to the sign off date by the Board of Directors on 24 May 2021, have been included in this Report, ensuring a more relevant and up-to-date Report.

For the purpose of reporting its sustainability performance, all Group subsidiaries and equity accounted investees have been considered, barring companies in which the Group does not exercise significant management control, non-operational companies, managing companies, companies that rent out office spaces, investment companies and companies owning only land, which have been clearly identified in the reporting boundary specified in the Group Directory 2020/21. The scope will also seek to report on companies over which it does not exercise significant management control, where relevant.

INTEGRATED REPORTING AND GUIDING PRINCIPLES

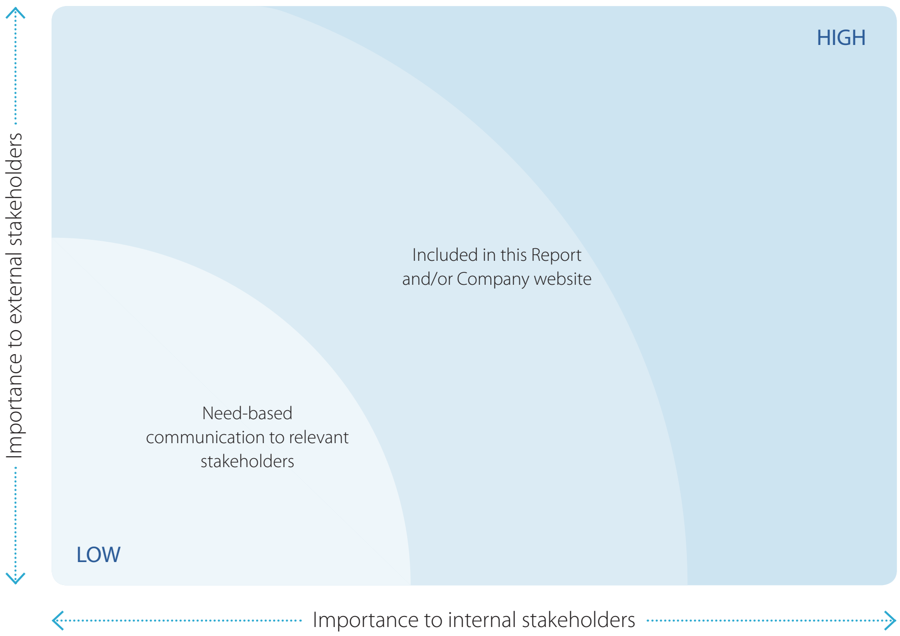
The Group has strived to deliver a comprehensive, balanced and relevant Report, while adhering to the recommendations of the IIRC. The seven guiding principles in integrated reporting, as depicted, have been given due consideration when preparing and presenting this Report.



DETERMINING MATERIALITY

Materiality analysis is a key process that enables the Group to define key triple bottom line issues that are of significance for businesses and stakeholders, both internal and external, in the short, medium and long-term. Our focus on materiality is vital as we seek to drive performance, improve our sustainability framework and institutionalise the Group's corporate governance philosophy at all levels.

The Group conducts an independent external stakeholder engagement survey every three to four years in ascertaining material topics to its significant stakeholders. In addition, materiality is also assessed internally in ascertaining the topics material to the Group and fine-tuning and streamlining its strategy and processes to manage these material issues. The outcomes of these studies are prioritised using a materiality matrix, representing their level of significance to the Group and its external stakeholders, and are then disclosed as per clearly defined topics under the GRI Standards.



While the matrix, as illustrated, indicates the prioritisation of these material topics, the Group continues to assess its internal and external materiality and disclose the performance of such topics. Its reporting scope will be expanded as and when a topic becomes material to the Group and its stakeholders.

A detailed discussion on determining materiality is available on the Corporate website at ***www.keells.com/governance.***

DISCLAIMER FOR THE PUBLICATION OF FORECAST DATA

The Report contains information about the plans and strategies of the Group for the medium and long-term and represents the management's view. The plans are forward-looking in nature and their feasibility depends on a number of economic, political and legal factors which are outside the influence of the Group and Company, including the situation of key markets, changes in tax, customs and environmental legislation and so forth. Given this, the actual performance of indicators in future years may differ from the forward-looking statements published in this Report. The reader is advised to seek expert professional advice in all such respects.

As you navigate through the pages of this Report, you will find a relevant, transparent and noteworthy value proposition entrenched within the John Keells Group that strives to achieve the highest form of stakeholder satisfaction through sustainable value creation.

INFORMATION VERIFICATION AND QUALITY ASSURANCE

The Chairman-CEO, Deputy Chairman/Group Finance Director, Group Executive Committee and relevant management personnel are responsible for disclosures made in this Report. The Group makes every effort to ensure the credibility, reliability and integrity of the information presented in the Report. To this end, external assurance is also sought from independent auditors as outlined below.

The information contained in this Report has been reviewed, as applicable, by:

- The Board of Directors
- The Group Executive Committee
- Audit Committee of the Company
- An independent auditor confirming the accuracy of the annual financial statements
- An independent auditor confirming the accuracy of the non-financial statements in this Report, and that it has been prepared in accordance with the GRI Standards: Core option of reporting and International <IR> Framework

CONTACT WITH STAKEHOLDERS

The preparation of the Report took place in cooperation with stakeholders in order to improve transparency and accountability. Feedback is gathered through questionnaires, a dedicated mailbox, one-on-one meetings and stakeholder engagement fora.

OUR BUSINESS MODEL

VISION: Building businesses that are leaders in the region

Fundamental forms of Capital deployed — Value creation / preservation overtime

STAKEHOLDER RETURNS AND ENGAGEMENT

VALUE CREATION INTERVENTIONS AND RETURNS

CAPITAL	INPUTS	ACTIVITIES
FINANCIAL AND MANUFACTURED CAPITAL	• Shareholder funds and debt • Cash flow from operations • Land bank • Machinery and operations	• Effective and responsible investment of shareholder funds • Business development activities • Cost reduction initiatives
NATURAL CAPITAL	• Energy • Water • Other natural resources	• Environmental impact assessment and mitigation of impacts • Roll out of carbon footprint and energy management initiatives • Strengthening of water and waste management processes
HUMAN CAPITAL	• Employee diversity • Experience • Skills and competencies	• Leveraging on employee skills and expertise for business growth • Training and development of employee cadre • Performance management and appraisals • Employee survey initiatives • Structured career development programmes
SOCIAL AND RELATIONSHIP CAPITAL	• Dedicated CSR team • Strategic and sustainable community development • Investor relations and stakeholder management • Staff volunteerism • Health and safety initiatives	• Investment in community and livelihood development • Regular dialogue with investors, analysts and other stakeholders • Social impact assessments • Identification of key stakeholders and material aspects in relation to them • Awareness creation and engagement of suppliers • Social needs assessment based on SDGs/UNGC/ national agenda
INTELLECTUAL CAPITAL	• Brand equity and stewardship • Research and development • Technological expertise • Digital infrastructure	• Development of intangible infrastructure, processes and procedures to improve efficiency • New product development • Innovation

PROCESSES AND FRAMEWORKS

- JKH Code of Conduct
- Corporate Governance Framework
- Human Resource Governance
- Integrated Risk Management Framework
- Information Technology Governance
- Stakeholder Management and Effective Communication
- Tax Governance
- Sustainability Management Framework
- Environmental, Social and Governance (ESG) Management
- Strategy Formulation and Decision-Making
- Strategic, Resource Allocation and Portfolio Management
- Corporate Social Responsibility
- Group Policies
- Mandatory regulatory frameworks
- Voluntary frameworks and mechanisms

Industry Groups

- Transportation
- Consumer Foods
- Retail
- Leisure
- Property
- Financial Services
- Other, incl. Information Technology and Plantation Services

VALUES: CARING | EXCELLENCE

Transformed Capital that produces stakeholder value

OUTPUTS	VALUE DERIVED – INDICATORS AS AT 31 MAR 2021		OUTCOMES	ALIGNMENT WITH SDGs
• Shareholder returns and dividends • Payments to other stakeholders • Share price appreciation	Rs.226 billion Shareholder funds Rs.537 billion Group assets	Rs.49 billion Net debt (cash) Rs.195.97 billion Market capitalisation	• Financial stability • Financial growth • Creation of wealth	
• Efficient disposal of all effluent and waste • Reduction of carbon footprint • Reduced resource consumption through better monitoring	0.64 MT Carbon footprint per Rs.million of revenue 22% Non-hazardous waste recycled/reused by Group companies and through third party contractors	13.19 m^3 Water withdrawal per Rs.million of revenue	• Sustainable natural resource utilisation • Biodiversity preservation	
• Staff motivation • Talented and efficient workforce • Job satisfaction • Career progression • Safe and equitable environment	82% Employee retention rate 83 Injuries	23 hours Average hours of training per employee 70 : 30 Male : Female staff ratio	• Alignment of workforce with Group vision • Profitable businesses through improved productivity and efficiency	
• Community skills development • Well informed and sound investment decisions • Better supplier/distributor and stakeholder relations	756,153 Number of persons impacted by community engagements	85% Proportion of purchases from suppliers within Sri Lanka	• Individuals and communities empowered with knowledge, skills and opportunities for a better future • Brand visibility and reputation • Strengthened supply chain • Adherence to UN SDGs	
• Patents • Copyrights	Rs.4.9 billion Value of intangible assets ▪ LMD's Most Respected Entity ▪ LMD Top 100 Entities Awards and accolades	9 No. of start-ups under incubation	• Evolving businesses to suit the ever changing, dynamic consumer • An entity better prepared to face disruptive business models	

TRUST | INNOVATION | INTEGRITY

INDUSTRY GROUPS AND SECTORS

TRANSPORTATION
Transportation
Ports and Shipping

CONSUMER FOODS
Beverages
Frozen Confectionery
Convenience Foods

RETAIL
Supermarkets
Office Automation

LEISURE
Cinnamon Hotels & Resorts
Destination Management
Hotel Management

PROPERTY
Property Development
Real Estate

FINANCIAL SERVICES
Insurance
Banking
Stockbroking

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES
Information Technology
Plantation Services
Other

CENTRE FUNCTIONS

- Corporate Communications
- Corporate Finance and Strategy
- Data and Advanced Analytics
- Group Business Process Review
- Group Finance and Group Insurance
- Group Human Resources
- Group IT
- Group Tax
- Group Treasury
- John Keells Foundation
- John Keells Research
- Legal and Secretarial
- New Business Development
- Social Entrepreneurship
- Sustainability, Enterprise Risk Management and Group Initiatives

CHAIRMAN'S MESSAGE

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2021.

I trust our Report will provide you with an in-depth understanding of the Group's value creation process and the strategies in place to manage the diverse portfolio of businesses towards driving sustainable growth, particularly in terms of navigating our businesses through these unprecedented circumstances due to the ongoing COVID-19 pandemic.

Whilst the year under review was extremely challenging on account of the COVID-19 pandemic, the Group witnessed a faster than anticipated recovery momentum with the performance of most businesses reaching pre COVID-19 levels where business activity and consumer trends were near normal by the end of the financial year. This positive momentum is reflected in the performance of the Group excluding Leisure, where recurring EBITDA demonstrated a growth of 8 per cent over the previous year despite the headwinds during the year, including an island-wide lockdown from April to mid-May 2020 and intermittent isolation measures during other periods. The Leisure business was significantly impacted given the closure of the airports in the Maldives and Sri Lanka until July 2020 and January 2021, respectively, although the resurgence of domestic tourism, food and beverage and banqueting revenue in Sri Lanka helped support the cash flows of the business while the Maldives witnessed a strong recovery from December 2020 onwards.

The performance of the Group during the year was resilient despite the numerous challenges encountered and it was the positive attitude of all our people that enabled the Group to navigate through this unprecedented and volatile period. I wish to, once again, recognise their contribution, particularly those who served in our front lines and played a pivotal role in serving the people of our country in this very challenging time. Their commitment to proactively transition to new ways of working and embrace and support the Group in implementing a series of cost containment and productivity measures aided the Group to remain resilient and maintain its position of financial stability.

The Group has been on an investment heavy cycle, where significant capital has been deployed in our Group businesses which paves the way for transformative growth into the future.

Whilst the COVID-19 pandemic was relatively contained in Sri Lanka throughout the financial year, resulting in a strong resumption of business activity, the recent outbreak in late April 2021 has led to a sharp increase in the number of COVID-19 cases within the country, prompting island-wide travel restrictions by the Government as at the date of this Message. While it is premature to ascertain the full impact of this outbreak and the resultant performance of the Group since the number of daily cases is significantly higher than that of the first and second waves, the curtailing of movement is expected to cause a slowdown in business activity in the immediate-term while the pace of recovery will depend on how the situation develops over the next few weeks. Although the short-term will continue to pose challenges, a similar recovery to the traction observed in the second and fourth quarters of 2020/21 can be expected once the stringent isolation and healthcare measures are eased. The Government has committed to scale up the roll out of vaccinations and this should positively impact recovery once a critical mass of the population, particularly in high-risk areas, are covered, as evident in other countries. The Group continues to reinforce and evaluate its safety protocols applicable to its employees and customers and has taken all possible measures to protect its supply chains in the current environment.

RESILIENT IN INVESTING

As stated over the previous few years, the Group has been on an investment heavy cycle, where significant capital has been deployed in our Group businesses which paves the way for transformative growth into the future. However, despite the unprecedented events over the last two years, which significantly impacted the performance of our portfolio, these investments have continued steadfastly, demonstrating the Group's 'resilience in investing'.

While the investments had short-term impacts on performance over the last couple of years on account of related expenses, disruptions and gestation periods, the longer-term benefits are now translating to significant performance impacts in the relevant businesses, some of which are not fully visible in the reported results due to the offsetting impacts on account of disruptions across two consecutive years.

Capital expenditure in recent years include investments aimed at ensuring a completed and refurbished portfolio of Leisure properties, increasing the outlet footprint of the Supermarket business which has in the last three years doubled to over 120 outlets, enhancing the capacity and capability in the Frozen Confectionery and Insurance businesses, and consolidating our strategy in land banking enabling monetisation of lands to generate consistent returns, among others. The most significant of our investments, 'Cinnamon Life', is nearing completion with the revenue and profit recognition from the sale of the Residential and Office units commencing from the first quarter of 2021/22 onwards.

Investments going forward will include the West Container Terminal in the Port of Colombo in partnership with the Adani Group in India. This investment will ensure continued long-term exposure to the ports business in the country which augers well for the future of the Group as well as provide a better balance for our portfolio. I believe that, despite the challenges of the current environment, the Group has laid a strong platform for growth and is now poised to fully benefit from the investments in building capacity, capability and process efficiency as these come to fruition in the ensuing year, and beyond.

CHAIRMAN'S MESSAGE

GROUP PERFORMANCE 2020/21

For the financial year 2020/21, Group revenue decreased by 8 per cent to Rs.127.68 billion while recurring Group earnings before interest expense, tax, depreciation and amortisation (EBITDA) decreased by 22 per cent to Rs.15.57 billion. Excluding the Leisure industry group, Group revenue increased by 1 per cent to Rs.122.32 billion while, encouragingly, Group recurring EBITDA increased by 8 per cent to Rs.19.16 billion, displaying the positive recovery momentum of the businesses, where most have reached levels of near normalcy since December 2020 onwards. The decline in revenue is primarily due to a sharp reduction in oil prices throughout most of the year, impacting the Group's Bunkering business, Lanka Marine Services.

The recurring Group profit before tax (PBT) decreased by 56 per cent to Rs.5.41 billion while the recurring profit attributable to equity holders of the parent decreased by 49 per cent to Rs.4.74 billion for the financial year ended 31 March 2021. Excluding the Leisure industry group, recurring PBT increased by 1 per cent to Rs.13.95 billion while the recurring profit attributable to equity holders of the parent increased by 3 per cent to Rs.10.96 billion.

In June 2020, JKH entered into a ten-year financing agreement with the International Finance Corporation (IFC) for USD 175 million to support funding of the Company's investment pipeline, marking IFC's largest investment to date in Sri Lanka. The proceeds from the facility will primarily be utilised to fund the Group's expansion of its Supermarket business, recent investments in hotels in the Maldives and Sri Lanka and for general corporate investments.

Although the entirety of the loan was drawn down during the year under review resulting in an increase in debt at the Holding Company, this did not impact net debt since the cash balance was also retained at a Holding Company level. The Holding Company maintained a strong net cash position of Rs.21.43 billion, which primarily consists of a foreign currency position. Group net debt excluding lease liabilities as at 31 March 2021 was at Rs.48.71 billion.

GROUP RECURRING EBITDA EXCL. LEISURE

Rs.19.16bn ↑ 8%

2019/20: Rs.17.76 bn

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS DURING THE YEAR

Summarised below are the key operational and financial highlights during the year under review.

- The Group witnessed a faster than anticipated recovery momentum with the performance of most businesses reaching pre COVID-19 levels with business activity and consumer trends being near normal by the end of the financial year.
- Excluding Leisure, Group recurring EBITDA increased by 8 per cent to Rs.19.16 billion [2019/20: Rs.17.76 billion].
- Given the positive momentum of the performance of the businesses, notwithstanding the impacts of the current outbreak, a final dividend for 2020/21 of Rs.0.50 per share, was declared to be paid on or before 25 June 2021. Total dividend declared for 2020/21 amounts to Rs.2.00 per share at a total payout of Rs.1.98 billion. The declaration of this dividend reflects the cash generation capability of the Group's diverse portfolio of businesses, despite the continued impacts on the Leisure business on the overall performance of the Group.
- A consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, received a letter of intent (LOI) to develop and operate the West Container Terminal at the Port of Colombo as a public private partnership (PPP) project.
- The Supermarket business witnessed a sharp quarter-on-quarter recovery momentum in sales, with the fourth quarter same store sales recovering to pre COVID-19 levels.
- The Consumer Foods business recorded a strong recovery during the year, particularly the performance of the Frozen Confectionery business. The Frozen Confectionery business recorded its highest monthly sales volume in the history of its operations in March 2021.
- Whilst the opening of the airports is expected to help revive the tourism industry in Sri Lanka and the Maldives, the performance of the Leisure business will largely depend on the pace of revival of regional and global travel, when travellers regain confidence, particularly with the vaccination drives in many countries. The performance of the Maldivian Resorts and the momentum of forward bookings have been very encouraging.
- With the completion of the residential and office towers at 'Cinnamon Life', the hand-over process of the units will commence, on a staggered basis, from the first quarter of 2021/22 onwards, resulting in the recognition of revenue and profits from 'Cinnamon Life'. Project completion is scheduled for the first quarter of 2022/23.
- The Insurance business recorded double digit growth in gross written premiums during the year driven by an encouraging increase in regular new business premiums. The Banking business recorded an increase in profitability driven by focused recovery efforts, cost management initiatives and higher investment income.
- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, worked on a series of use cases in the Retail and Financial Services industry groups, yielded promising results, with initial pilot projects indicating signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.
- The Group instituted a Diversity, Equity and Inclusion programme towards increasing the diversity of our workforce and launched the 'ONE JKH' brand with several initiatives aimed at increasing critical diversity metrics across the Group. The Group established a goal of increasing the participation of women in the workforce up to 40 per cent by the end of 2025/26, as a step towards achieving gender parity in the workforce.
- The Group reported a 7 per cent reduction in its carbon footprint per million rupees of revenue and a 3 per cent reduction in water withdrawn per million rupees of revenue.

Recurring EBITDA* (Rs.'000)	2020/21	2019/20
Transportation	3,610,416	4,375,024
Consumer Foods	3,317,535	3,365,940
Retail	5,522,678	5,107,784
Leisure	(3,588,464)	2,305,839
Property	(17,348)	640,676
Financial Services	3,644,923	2,988,190

**EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes the impact of exchange losses and gains on its foreign currency denominated debt and cash, to demonstrate the underlying cash operational performance of the businesses.*

The Annual Report contains discussions on the macroeconomic factors and its impact on our businesses as well as a detailed discussion and analysis of each of the industry groups. As such, I will focus on a high-level summation of the performance of each industry group during the financial year 2020/21.

TRANSPORTATION

The Transportation industry group recurring EBITDA of Rs.3.61 billion in 2020/21 is a decrease of 17 per cent over the recurring EBITDA of the previous financial year [2019/20: Rs.4.38 billion]. The decline in profitability is attributable to the Group's Ports business, South Asia Gateway Terminals (SAGT), and to a lesser extent the Group's Bunkering business, Lanka Marine Services (LMS).

In line with the trend of overall volumes in the Port of Colombo (POC), throughput at SAGT was impacted by the COVID-19 pandemic, recording a 12 per cent decrease in the year under review although this impact was primarily during the first quarter of 2020/21 when the pandemic escalated in Sri Lanka and the region. However, the rate of recovery in volumes was encouraging, reaching pre COVID-19 levels as transshipment volumes from India and the region gained momentum as shipping lines demonstrated a preference to call at 'hub' ports and move away from direct services, demonstrating the urgent need and opportunity for deep water capacity enhancement in the POC. Profitability was further impacted by a change in the throughput mix on account of the continuing import restrictions in place in the country. SAGT also became liable for income tax from September 2019 onwards.

Addressing the long overdue need for capacity enhancement in the POC, the Government decided to proceed with the development of the East Container Terminal (ECT) and the West Container Terminal (WCT), during the year under review. The development of the ECT will be implemented by the Sri Lanka Ports Authority while a consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, executed a letter of intent (LOI) to develop and operate the WCT as a public private partnership (PPP) project. The WCT project will be constructed on a build, operate and transfer (BOT) basis for a lease period of 35 years.

The WCT, a part of Colombo's South Port development, encompasses a deep-water terminal with an alongside depth of 20 metres and annual capacity of approximately 3 million TEUs. The Group expects to commence construction of the WCT in early CY2022, subject to fulfilling criteria as stipulated in the LOI, with part of the terminal slated to be operational in approximately 24 months, and the remainder within a maximum period of a further 24 months. The Group will have a material equity stake in the project and the expected investment is approximately USD 70-80 million, staggered over the project construction period, subject to finalisation of project costs and other structuring arrangements, including the proportion of leverage.

The year-on-year comparison of the performance of the Bunkering businesses is distorted as 2019/20 included above-average profitability, particularly in the third quarter, on account of the transition, well ahead of competition, to low sulphur fuel oil under the International Maritime Organisation regulations. Although overall bunker market volumes continued to gradually improve during the year to pre COVID-19 levels, the business continues to be impacted by a reduction in demand for bunker fuel on the back of the pandemic, which resulted in a contraction in overall market volumes and exerted pressure on margins. Despite the environment, the Bunkering business was able to significantly improve market share.

Given the ongoing COVID-19 crisis in India, there are short-term disruptions to demand as several ports globally, including Singapore, have barred the entry of vessels which have called at South Asian ports, including Sri Lanka. While it is premature to assess the impact of these developments, market expectations are that it will be short-term and that trade volumes will remain resilient.

Most employees in the Ports business are already fully vaccinated, given the prioritisation of the Ports industry by the Government as an essential service, and therefore it is less likely that there will be a serious outbreak of cases disrupting operations at the POC.

During the year under review, the Logistics business recorded an improvement in profitability driven by an increase in throughput in its warehouse facilities.

RECURRING EBITDA

Rs.3.61 bn

Transportation industry group

↓ 17%

The Group expects to commence construction of the WCT in early CY2022, subject to fulfilling criteria as stipulated in the LOI, with part of the terminal slated to be operational in approximately 24 months, and the remainder within a maximum period of a further 24 months.

CONSUMER FOODS

The Consumer Foods industry group recurring EBITDA of Rs.3.32 billion in 2020/21 is a marginal decrease of 1 per cent over the recurring EBITDA of the previous financial year [2019/20: Rs.3.37 billion]. Excluding the significant impacts to the businesses in the first quarter of the year, the recurring EBITDA for the nine months ending March 2021 increased by 10 per cent to Rs.2.83 billion [2019/20: Rs.2.57 billion].

Despite the challenging operating environment and the unprecedented distribution disruptions, the Frozen Confectionery (FC), Beverage and Convenience Foods businesses demonstrated an encouraging performance with volumes displaying a faster than expected recovery trend with the easing of isolation measures, particularly in the FC business, when activity in the country returned to more normal levels. The investment in distribution penetration and the expansion of the portfolio of the FC business over the last few years enabled a strong recovery momentum and performance, as the business recorded its highest monthly sales volume in March 2021 in its history of operations. Whilst the Beverage and FC businesses recorded volume declines of 16 per cent and 1 per cent, respectively, in the year under review, the Beverage business volumes decreased marginally by 1 per cent and FC volumes increased by 30 per cent for the fourth quarter, although it should be noted that March 2020 volumes were disrupted with the onset of the pandemic in the country.

CHAIRMAN'S MESSAGE

The impact of lower volumes during the year was offset, to an extent, through selective price increases across SKUs in both businesses whilst a better mix in the FC business aided the strong growth in profitability. In line with evolving consumer trends and lifestyles, the FC business expanded its portfolio with the introduction of a few products under its premium range, which have been well accepted, and helped to grow this niche and consolidate its brand position further.

The Convenience Foods business recorded a growth in profitability, despite a decline in volume, driven by an improvement in the sales and channel mix.

RECURRING EBITDA

Rs.**3.32**bn

Consumer Foods industry group

1%

The Frozen Confectionery (FC), Beverage and Convenience Foods businesses demonstrated an encouraging performance with volumes displaying a faster than expected recovery trend with the easing of isolation measures, particularly in the FC business, when activity in the country returned to more normal levels.

RECURRING EBITDA

Rs.**5.52**bn

Retail industry group

8%

With the gradual easing of measures and opening of outlets, the business witnessed a sharp quarter-on-quarter recovery momentum in sales, with the fourth quarter same store sales recovering to pre COVID-19 levels.

RETAIL

The Retail industry group recurring EBITDA of Rs.5.52 billion in 2020/21 is an increase of 8 per cent over the recurring EBITDA of the previous financial year [2019/20: Rs.5.11 billion].

The Supermarket business recurring EBITDA of Rs.4.14 billion in 2020/21 is a marginal decrease of 3 per cent against the previous financial year [2019/20: Rs.4.27 billion], primarily due to the first quarter of 2020/21 where the complete lockdown measures resulted in a significant impact on performance given the fixed cost base of the operations. Excluding this impact, the nine-month recurring EBITDA ending 31 March 2021 is an increase of 14 per cent compared to the corresponding period of the previous year, although it should be noted that business was significantly disrupted towards the last two weeks of March 2020 due to the onset of the pandemic in the country.

With the gradual easing of measures and opening of outlets, the business witnessed a sharp quarter-on-quarter recovery momentum in sales, with the fourth quarter same store sales recovering to pre COVID-19 levels, although the March 2020 comparative is distorted due to the closure of outlets towards the end of the month. A significant growth was witnessed in online sales due to the isolation measures which were in place intermittently during the year. Considering that shopping patterns of customers have changed, where the frequency and purchase patterns have resulted in a consolidation of baskets, the statistics on footfall and basket values are distorted in the short-term.

Fifteen new outlets were opened during the year, increasing the total outlet footprint to 123 as at 31 March 2021. While the business will continue to expand its outlet network considering the underlying growth prospects for the industry, it has also ramped up its capability, offering and customer experience on its e-commerce platform. In July, the business revamped its online platform, enabling a more diverse offering and real-time stock availability, amongst other features, to enable a faster and better shopping experience. The business will continue to focus on an omni-channel strategy to cater to different customer segments and needs.

The current outbreak of COVID-19 cases in the country may create disruptions and hamper momentum in the short-term, particularly given the travel restriction measures imposed to curtail the movement of people. However, the impact on performance is expected to be less pronounced than witnessed when the previous isolation measures were in place given that the business is better equipped to navigate these challenges in contrast to the previous outbreaks in CY2020. The business prioritises the health and safety of its employees, customers and stakeholders, and has taken all health and safety measures possible. In keeping with our values, the business has been transparent and timely with its communication to customers and the public in the event operation of outlets are disrupted due to positive COVID-19 cases.

The ongoing construction of the distribution centre in Kerawalapitiya, which is scheduled for completion in the third quarter of FY2022, will augment the business, given its ability to cater to its outlet expansion well beyond the medium to long-term and translate into significant process and operational efficiencies, particularly given the centralisation of almost the entirety of the dry and fresh range.

I am pleased to state that the 'Keells' modern trade brand which was developed with the aim of epitomising the 'fresh' promise, service excellence and quality was adjudged as the most valuable supermarket brand for the second consecutive year in 2020 by Brand Finance. Further, the brand was listed amongst the top 10 most visible brands on the internet in Sri Lanka by the Asia Pacific Institute of Digital Marketing and was shortlisted for the World Retail Awards under the best brand transformation category.

As a part of the Group's advanced analytics transformation journey, the business commenced the roll out of select use cases towards the latter end of the year under review, aimed at addressing areas such as promotion effectiveness, range optimisation, and marketing outreach. Whilst some of the piloting and roll out of identified use cases were postponed until such time business and consumer behaviour returned to a level of normalcy given COVID-19 considerations, preliminary results of these projects are promising and bode well for the business in the medium-term.

The Office Automation business recorded a strong performance with double-digit growth in EBITDA on account of a 25 per cent volume growth in the mobile segment, maximising on market opportunity.

LEISURE

The Leisure industry group recurring EBITDA of negative Rs.3.59 billion in 2020/21 is a significant decrease against the recurring EBITDA of the previous financial year [2019/20: Rs.2.31 billion] due to the continued impact of COVID-19 on tourism. The performance of the Resorts started to demonstrate an encouraging uptick with the revival of domestic tourism and the opening of the airports in Sri Lanka and the Maldives. However, the current outbreak of COVID-19 cases in Sri Lanka may impede the local recovery should the current situation prevail, particularly given the travel advisories from source markets and the imposition of island-wide travel restrictions by the Government.

During the first quarter of the year under review, Sri Lanka and the Maldives witnessed the imposition of stringent measures to control the transmission of COVID-19, and, as a result, closed its airports for arrivals and restricted domestic travel. Due to the restrictions in movement, the Group suspended operations of its hotel properties in Sri Lanka and the Maldives during the months of April and May, thereby saving on overheads and other expenses.

The Sri Lankan Resort Hotels and the Colombo Hotels opened to the public from June 2020 onwards, under stringent safety guidelines issued by the Government post the easing of the lockdown. With the resumption of domestic travel, all properties in the Sri Lankan Resorts segment recorded an encouraging increase in occupancy. Despite the challenging operating environment, the Colombo Hotels segment also exhibited a better than anticipated performance, primarily driven by the food and beverage and banqueting segments.

The airports in Sri Lanka were re-opened to tourists in January 2021, under stringent guidelines and safety protocols of the health authorities. 'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' were opened to tourists and operated under these guidelines and protocols until the recent outbreak.

Given the slowdown in domestic tourism due to the current outbreak of COVID-19 cases, three Sri Lankan hotel properties are being used as intermediate care centres (ICC) for the treatment of asymptomatic patients. In addition to meeting the critical national need to provide facilities to treat COVID-19 persons, this will help mitigate the impact of a drop in domestic tourism. The operations of the other properties have been restricted during this current outbreak to manage and mitigate costs. We will continue to review the trends of both international and domestic travel and expand our current operations accordingly. We remain confident that operations will revert to normal over the next few months given the aggressive ramp up of the COVID-19 vaccination programme in the country. Our properties are well prepared and geared to take the fullest advantage of the pent-up demand for leisure travel from the various markets, similar to the recovery trends in arrivals witnessed in the Maldives.

Post the opening of the Malé airport in July 2020, arrivals were initially slow to gather momentum. The subsequent relaxation of global travel restrictions, particularly in key source markets, contributed to a rebound in performance of the Maldivian Resorts segment, resulting in an encouraging recovery in occupancy from December 2020 onwards. The segment also witnessed an increase in the average duration of stay in comparison to CY2019. It is encouraging to witness the momentum of forward bookings in the Maldives, demonstrating a significant 'pent up' demand for leisure travel. Based on current indications and trends, we expect a full revival of tourism to the Maldives by the end of this year.

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PROPERTY

The Property industry group recurring EBITDA of a negative Rs.17 million in 2020/21 is a decrease against the recurring EBITDA of the previous financial year [2019/20: Rs.641 million]. The decrease in profitability is mainly attributable to the fair value loss on investment property (IP) during the year under review compared to a fair value gain in the previous year. EBITDA excluding fair value gains/losses on IP amounted to Rs.274 million, an increase of 48 per cent over the previous year [2019/20: Rs.186 million].

Excluding fair value gains/losses, the EBITDA was positively impacted mainly due to the commencement of revenue recognition from the 'Tri-Zen' residential development project. However, profitability was impacted by the mall operations given the lower rentals and rent relief offered to tenants due to the pandemic. In order to repurpose and reposition the 'Crescat' mall in line with market dynamics, the property was closed for refurbishment on 31 December 2020. The revamped property is expected to be re-launched and operational in the second half of CY2021.

I am pleased to state that we have reached completion of the residential and office towers of 'Cinnamon Life'. The residential apartment and office towers are expected to be handed over, on a staggered basis, from the first quarter of 2021/22 onwards and will result in the commencement of recognition of revenue and profits from 'Cinnamon Life', a significant milestone considering the long gestation period of the project.

Given the continued challenges in labour mobilisation, the loss in productivity and time lost due to the period of lockdown and the enhanced health and safety measures, the available resources have been mainly focused on the completion of the residences and the office towers. Accordingly, completion of the hotel and the retail mall was impacted and is now scheduled for the first quarter of 2022/23. In line with the revised timelines for completion, finishing work including structural work, cladding, installation of the façade, glazing, and interior designing of hotel rooms is currently underway. The Group has commenced discussions with key tenants for the retail mall, with various alternatives being considered for the retail space to ensure unique attractions and offerings. The Group is also in the final stages of negotiations with prospective tenants for the office space at 'Cinnamon Life'.

CHAIRMAN'S MESSAGE

Construction of 'Tri-Zen' has continued to progress steadily during the year with the structure of the building envisaged to be completed in the first half of CY2022 whilst the overall project is scheduled for completion in CY2023.

The sales momentum for the residential apartments at 'Cinnamon Life' has been relatively slow, in line with the trends seen in the premium segment in the city. However, with the commissioning of the towers and the rest of the complex nearing completion, we have seen an upsurge in interest. Sales at 'Tri-Zen' has been encouraging, reaching pre COVID-19 levels, with sales in March 2021 recording the highest number of units since inception of the project. The funding of 'Cinnamon Life' continues to be in place, given the unutilised component of the committed syndicated loan facility and availability of foreign currency funds which is earmarked for the project and held at the Holding Company.

During the year under review, the Group increased its existing stake of 60 per cent in Vauxhall Land Developments (Private) Limited (VLDL), an entity which owns a prime plot of land on Vauxhall Street, Colombo, by acquiring a further 26.7 per cent equity stake from Finlays Colombo Limited (FCL) for a consideration of Rs.5.98 billion. The Group has committed to acquiring the balance 13.3 per cent equity stake from FCL for Rs.2.99 billion on or before 24 September 2021, post which VLDL would become a fully owned subsidiary of the Group. The contiguous 9.38-acre property is one of the largest privately held land extents in central Colombo and is within a proposed zoning area identified under the Beira Lake Development Plan of the Urban Development Authority (UDA). This property is a part of the Group's land banking strategy, where strategic land parcels were identified in order to capitalise on opportunities arising in the real estate and property development industry. With the acquisition of VLDL, the Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term.

The residential apartment and office towers are expected to be handed over, on a staggered basis, from the first quarter of 2021/22 onwards and will result in the commencement of recognition of revenue and profits from 'Cinnamon Life'.

While impairment increased during the year, a concerted effort on collections and recoveries together with a focus on return-based credit growth has ensured that the performance of the Bank has seen positive momentum.

FINANCIAL SERVICES

The Financial Services industry group recurring EBITDA of Rs.3.64 billion in 2020/21 is an increase of 22 per cent over the recurring EBITDA of the previous financial year [2019/20: Rs.2.99 billion].

Union Assurance PLC recorded double digit growth in gross written premiums (GWP) during the year, continuing the recovery momentum witnessed from the second quarter onwards. The increase in GWP growth was driven by regular new business premiums. However, the profit of the business was impacted by a higher tax expense in 2020/21 as a result of an expiry of claimable periods and an impairment on notional tax credits of the business.

Whilst revenue at NTB was impacted by the slowdown in demand for credit, the sharp reduction in interest rates and the impact of the moratorium loan portfolio, the Bank recorded an increase in profits driven by focused recovery efforts, cost management strategies and higher investment income. The Bank also benefited from the removal of the debt repayment levy, which was in place in the previous year. While impairment increased during the year, a concerted effort on collections and recoveries together with a focus on return-based credit growth has ensured that the performance of the Bank has seen positive momentum.

John Keells Stock Brokers recorded an encouraging performance on the back of a strong recovery in activity in the Colombo Stock Exchange towards the latter part of the year.

RECURRING EBITDA

Rs.**3.64**bn

Financial Services industry group

22%

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The Information Technology sector recurring EBITDA of Rs.363 million in 2020/21 is an increase of 6 per cent over the recurring EBITDA of the previous financial year [2019/20: Rs.343 million]. The improved performance is on account of onboarding new clients and expanding the scope of services.

The Plantation Services sector recurring EBITDA of Rs.356 million in 2020/21 is a significant increase over the recurring EBITDA of the previous financial year [2019/20: Rs.20 million]. This improvement in profitability was aided by an increase in both tea prices and volumes. The performance of the previous year included a material impairment of debtors at John Keells PLC considering the stresses faced, at the time, by tea producers due to low tea prices and curtailing of manufacturing operations.

Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs.3.08 billion in 2020/21, which is a significant increase over the recurring EBITDA of the previous financial year [2019/20: Rs.1.29 billion]. The increase in profitability is mainly attributable to the increase in interest income on account of higher cash and cash equivalents at the Holding Company due to the drawdown of the IFC loan as stated before, although the impact to PBT was negligible due to a corresponding increase in interest expense stemming from the borrowing. The PBT of the Holding Company was also positively impacted by a foreign currency exchange gain on its net USD denominated cash holdings, on account of a depreciation of the USD/LKR exchange rate against the previous year.

RECURRING EBITDA

Rs.**3.08**bn

Other, incl. Information Technology and Plantation Services industry group

140%

ADVANCED ANALYTICS

During the year under review, the Group's Data and Advanced Analytics Centre of Excellence, OCTAVE, worked on a series of use cases in the Retail and Financial Services industry groups, yielding promising results, with initial pilot projects indicating signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. However, challenges on the back of the COVID-19 pandemic compelled the Group to review the timing of the roll out of several of these identified use cases until such time business operations returned to a level of normalcy, where the impact could be meaningfully assessed.

With business activity rebounding towards the fourth quarter of the year under review, OCTAVE continued to develop, pilot and roll out a series of use cases within these industry groups. Although it is premature to fully assess the impact of these interventions, I am pleased to state that the preliminary results are extremely encouraging where the anticipated benefits are incorporated into future budget plans as well.

Continuing this momentum, OCTAVE also commenced work on use cases in the Beverages business of the Consumer Foods industry group and is expected to extend its efforts to the Frozen Confectionery business in the ensuing year. Data governance practices which were institutionalised across the Supermarket and Insurance businesses were extended to the Consumer Foods industry group during the year, with defined roles being staffed by trained resources and milestones set for governing data domains of the businesses.

Progress made during the year displayed that meaningful value can be unlocked by leveraging the large volume and rich variety of data across the Group in delivering advanced analytics solutions to traditional business challenges. Further the growth in capability of the team at OCTAVE has helped set the foundations of a sound advanced analytics practice in the Group.

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EMPLOYEES

The value creation process of the Group has been built around our loyal and committed employees, and I wish to acknowledge, with gratitude, the contribution and commitment of our employees during a year which witnessed many unprecedented challenges.

I wish to sincerely thank the many who are serving in our frontlines. It is truly heartening to see the positive attitude and commitment of our people, where numerous teams have ensured the smooth continuation of operations.

Over the years, we have attracted the best talent towards building a strong team that reflects the diversity of the customers we serve. We continue to engage and encourage our employees to perform to the best of their abilities through a performance-oriented culture founded on ethical and transparent behaviour which, in turn, promotes sustainable and profitable growth. Our people have been the hallmark of success of the John Keells Group, and, I believe, will continue to be a key differentiator going forward as well as we continue to launch initiatives to make a meaningful and positive difference to our people as explained below.

The Corporate Governance Commentary and the Capital Management Review sections of this Report explain in further detail the best practices, policies and procedures that are in place to ensure that John Keells is 'More Than Just a Work Place'.

ONE JKH and Diversity, Equity and Inclusion Initiative

During the year under review, the Group joined the UN Global Compact's 'Target Gender Equality' programme which focuses on increasing women's representation and leadership in business, not only in the workplace but also in our value-chain and community. The Group also instituted a Diversity, Equity and Inclusion (DE&I) programme towards increasing the diversity of our workforce and making our workplaces more inclusive and launched the 'ONE JKH' brand in September 2020 to consolidate its efforts to increase the diversity metrics across the organisation. Some key initiatives in DE&I include employer supported childcare, increasing women in non-traditional roles, women centric training and launching of the Group Policy. The Group established a goal of increasing women in the workforce up to 40 per cent by the end of 2025/26, as a step towards achieving gender parity in the workforce.

GOVERNANCE

I am pleased to state that there were no departures from any of the provisions of the Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. Given the continuation of 'work from home' arrangements at most businesses, the Group augmented data classification and management while migrating applications to the cloud and adopting digital platforms. The Group also introduced an improved and augmented Agile Working Policy to facilitate the current working arrangements with greater clarity, ensuring a higher degree of employee involvement and flexibility in work arrangements, which will help increase retention and motivation of existing employees while expanding the talent pool and enabling greater participation of women in the workforce. In December, the Group appointed a new Ombudsperson who is an attorney-at-law by profession, maintaining the independence of the Group's whistle-blower channels.

Further details on governance compliance and initiatives and can be found in the Corporate Governance Commentary of this Report.

CHAIRMAN'S MESSAGE

Integrated Reporting

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. The Board of Directors and the Group Executive Committee is responsible for ensuring the accuracy and integrity of this Annual Report. We confirm, to the best of our knowledge, the credibility, reliability and integrity of the information presented, and, in this regard, external assurance has also been sought from independent auditors, as applicable.

SUSTAINABILITY

This Report discloses the Group's sustainability performance in accordance with the GRI Standards: Core option of reporting and details its integrated approach to sustainable operating practices, its management framework and its overall sustainability performance over the reporting year.

Despite the challenges of operating within the COVID-19 related restrictions and impacts, the Group's well entrenched sustainability management framework continued to ensure that sustainability considerations remained an integral part of all business operations. This framework guides the Group to integrate financial performance alongside efficient Natural Capital management, through practices such as conservation of natural resources, emissions management and responsible waste disposal, while investing in its Human Capital resources, through training and development of its diverse employee base and maintaining a safe working environment. This enables the Group to reach beyond its own boundary to build upon its considerable social and relationship capital, through ensuring the highest standards of product stewardship, conducting operations with the highest levels of ethical standards and supporting its supply chain partners to better their own sustainability performances.

The Group reported a 7 per cent reduction in its carbon footprint per million rupees of revenue and a 3 per cent reduction in water withdrawn per million rupees of revenue.

The Group maintained a steady performance with respect to key sustainability indicators, despite the unprecedented circumstances. As a result of the COVID-19 pandemic, emissions and resource usage were affected due to lower levels of activity in the businesses. Against this backdrop, in absolute terms, the Group reported a 15 per cent reduction in its carbon footprint to 82,009 MT and a 7 per cent reduction in its carbon footprint per million rupees of revenue. In absolute terms, the Group's water withdrawal reduced by 12 per cent to 1,677,672 cubic meters and water withdrawn per million rupees of revenue decreased by 3 per cent. Waste generation reduced by 13 per cent to 6,763 MT. 83 incidences of occupational injuries were recorded during the year. In addition, this year, with the implementation of the Group's Agile Working Policy, the online Learning Management System was utilised to facilitate and encourage remote learning, to ensure that training and development needs of its employees continued to be met, with an average of 23 hours of training provided per person.

I am pleased to note that the Group's commitment to a steady improvement in its sustainability performance has led towards embarking on a new goal setting process, building on the initial set of Group Sustainability Goals concluded in the previous year. This year, goals were established at company or sector level to drive focus and accountability amongst key businesses with material sustainability impacts. This has meant further consolidation of reduction targets in terms of energy and water, as well as incorporating new and emerging areas of priority such as renewable energy and plastic reduction.

Plasticcycle

The Group's social entrepreneurship initiative, 'Plasticcycle', has established a network of over 250 dedicated collection bins to date and collected over 71,000 kgs of post consumption plastic for recycling. While on-ground activities continue to take place where possible, adhering to health and safety guidelines, 'Plasticcycle' had shifted its focus to raising community awareness and participation, digitally. As a catalyst in significantly reducing plastic pollution in Sri Lanka, 'Plasticcycle' entered into a pivotal partnership with Hemas Manufacturing (Private) Limited to further expand its collection network within the Colombo district. A dedicated plastic waste collection and sorting centre is being developed through the joint commitment of 'Plasticcycle', Ceylon Cold Stores and 'Zerotrash'.

CORPORATE SOCIAL RESPONSIBILITY

Notwithstanding the challenges posed by the COVID-19 pandemic throughout the year, the John Keells Group remains committed to Corporate Social Responsibility (CSR), which is an integral part of the Group's business ethos within its triple bottom line approach while staff volunteerism is a key component enabling our staff to enrich their personal experiences through community engagement and service. Our CSR activities continue to be on six focus areas, namely, Education, Health, Environment, Livelihood Development, Arts & Culture and Disaster Relief. All projects undertaken are inspired and sustained by our CSR vision of 'Empowering the Nation for Tomorrow'. The CSR initiatives of the Group are centrally planned and implemented by John Keells Foundation (JKF) - a company limited by guarantee which is also registered as a 'Voluntary Social Service Organisation' - with the strategic direction of the Group Executive Committee and implementation and synergistic support of the Group businesses.

John Keells Holdings is a participant of the United Nations Global Compact (UNGC). The Group's development activities are aligned to the Sustainable Development Goals (SDGs) and national priorities, ensuring a collective and targeted focus towards addressing key universal needs for the holistic development of people, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

Whilst JKF together with the Group businesses continued to provide COVID-19 aid to frontline services and affected communities, its CSR plans were reviewed and restructured for practical implementation within applicable protocols and restrictions and to meet the new requirements arising from the pandemic.

Details are available under the Capital Management Review and Industry Group Review sections of this Report, while some of the highlights of JKF's work during the year are as follows.

Our CSR activities continue to be on six focus areas, namely, Education, Health, Environment, Livelihood Development, Arts & Culture and Disaster Relief. All projects undertaken are inspired and sustained by our CSR vision of 'Empowering the Nation for Tomorrow'.

Disaster Relief

JKF's key initiatives to support ongoing efforts to combat COVID-19 in collaboration with Group businesses:

- Donation of Personal Protection Equipment (PPE) to five Government hospitals.
- Provision of handwashing units to six schools to support recommencement post-lockdown.
- Donation of PPE and hand sanitisers to the Colombo District Secretariat office.
- Distribution of essential food items among disadvantaged communities.

Village Adoption

- The 7-year integrated development programme in the villages of Iranaipalai and Puthumathalan in Mullaitivu under the Village Adoption Project was concluded in August 2020 with the completion and public vesting of the anicut constructed to support farm irrigation.
- Activities comprising fisher and farmer livelihood support, skills development, livelihood and school infrastructure, gender and youth empowerment were implemented with an investment of over Rs.45 Million, benefitting 2,035 persons during project tenure.

John Keells 'Praja Shakthi'

JKF organised several livelihood initiatives (including women's entrepreneurship development):

- Hikkaduwa - upskilling of a group of women engaged in batik craft in collaboration with the Academy of Design, 'Hikka Tranz by Cinnamon' and the Divisional Secretariat of Hikkaduwa comprising training, business plan development and a production of an upmarket product range under the brand 'Hikka Batiks' which was tested at a successful pilot sale in Colombo.
- Ranala - a two-month training conducted in collaboration with CCS and the Divisional Secretariat of Kaduwela for women engaged in producing paper products towards upskilling them and facilitating market access followed by a grant of seed capital. JKF, with CCS, also renovated a clay mixing machine which is expected to support families of the pottery community.
- Colombo 2 - with the objective of providing women and men sustainable livelihood opportunities in pursuing food-based enterprises, JKF commenced a programme with the support of Public Health Inspectors of the Colombo Municipal Council and chefs from the 'Cinnamon' Hotels to increase food safety, health and hygiene standards. JKF is also in discussion with the International Finance Corporation and the Urban Development Authority to collaborate on a tourist centric sustainable street market operation in the next financial year.

Career Skills for University Undergraduates and School Leavers

- JKF piloted its first Soft Skills webinar aimed at enhancing employability of undergraduates. 388 students participated in the 3 workshops that took place over the course of three weeks.

Project WAVE (Working Against Violence through Education)

The following key initiatives were conducted towards addressing gender-based violence (GBV) and child abuse:

- Launch of an e-learning platform in English, Sinhala and Tamil languages for Group staff on preventing and addressing gender-based violence, sexual harassment and child abuse under Project WAVE.
- Staff awareness sessions for a total of 251 Group staff.
- A public awareness campaign against sexual harassment coinciding with the International Day for the Elimination of Violence Against Women conducted for the fifth successive year under the theme 'Break the Silence to End the Violence' comprising a panel discussion featuring subject experts aired on a premier television channel during prime time and a two-week public awareness campaign through social media and digital screens with a reach of over 991,000 persons.
- A poster cum social media campaign was launched on child protection to commemorate National Children's Day in October 2020 covering 11 schools in the John Keells Praja Shakthi locations as well as 114 'Keells' outlets and 10 'Cinnamon' hotels. It was also published in English, Sinhala and Tamil via the JKF Facebook page with a reach of over 41,000 Facebook users.

Substance Abuse Prevention Awareness

- JKF launched its Substance Abuse Prevention Awareness project, piloting both capacity building workshops for teacher counsellors in the Colombo district in collaboration with the National Dangerous Drugs Control Board (NDDCB) as well as awareness for pre-school teachers, parents and Government officials in Hikkaduwa in collaboration with Humedica Lanka and 'Hikka Tranz by Cinnamon', benefitting 216 persons.

The John Keells Vision Project

- 11 cataract patients underwent surgeries whilst the School Screening Programme in the Colombo District, a collaboration with the Ministry of Health, was conducted in 15 schools, testing 81 school children and donating 239 spectacles. This long-term collaboration with the Ministry of Health came to a close during this reporting period.

English Language Scholarship Programme

- JKF continued to offer scholarships to improve English proficiency of deserving school children under its long-term programme 'English for Teens'. 169 high-performing students from the 19/20 programme were offered scholarships under the Tier 2 scheme which also includes soft skills development. 150 students completed the programme through online or physical classes.

CHAIRMAN'S MESSAGE

Kala Pola

- Due to COVID-19 related restrictions, the 28th edition of Kala Pola was hosted as a month-long virtual event for the first time, showcasing over 4,000 works by 202 artists and attracting 56,400 visitors with encouraging sales. The event also presented four interactive features targeting collectors, children, artists and the general public.
- The online event was followed by a pilot pop-up sale, held within COVID-19 protocols, featuring 25 senior Kala Pola artists.

Our Volunteers

- Staff volunteers from the Group provided field, online and administrative support in various CSR projects customised in the reporting year to meet challenges pursuant to the pandemic, recording a total of over 900 hours by 226 volunteers across the John Keells Group. This number excludes staff volunteer activities in CSR at the business or sector level.

DIVIDENDS

The Company paid three interim dividends of Rs.0.50 per share, each, in August and December 2020, and March 2021, respectively. Your Board declared a final dividend for 2020/21 of Rs.0.50 per share to be paid on or before 25 June 2021, resulting in a total dividend declared of Rs.2.00 per share for 2020/21. The declaration of this dividend reflects the positive momentum of the performance of the businesses in the fourth quarter of 2020/21, notwithstanding the impacts of the current outbreak and the cash generation capability of the Group's diverse portfolio of businesses, despite the continued impacts on the Leisure business on the overall performance of the Group.

The Group will follow its dividend policy which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity, particularly given the prevailing challenging circumstances, and fund its pipeline of strategic investments such as the WCT project.

CONCLUSION

The recent outbreak of COVID-19 cases in Sri Lanka has resulted in short-term uncertainty, although the business impact, at this juncture, for most Group businesses, excluding Leisure, is not as significant as witnessed with the previous outbreaks. Whilst it is premature to ascertain the scale of the restrictions that may follow due to this outbreak, the Group remains positive of the underlying fundamentals of the industry groups in which it operates and expects a similar recovery to the traction observed in the second and fourth quarters of 2020/21 once isolation measures are eased.

In conclusion, on behalf of the Board of Directors and all employees of the John Keells Group, I thank all our stakeholders for the support extended to the Group during the year. I also wish to thank all staff of the John Keells Group for their unstinted commitment, understanding and cooperation throughout an extremely challenging year.

Finally, I thank my colleagues on the Board and the Group Executive Committee for their valuable guidance and support during the year.

Krishan Balendra

Krishan Balendra
Chairman

24 May 2021

INVESTOR RELATIONS

GROUP HIGHLIGHTS

The ensuing section details the key highlights of the year under review, followed by an overview of the key verticals, its industry potential, outlook and the initiatives that are undertaken to drive growth.

The JKH Investor Presentations are available on the Corporate Website to provide easier access and in-depth detail of the operational performance of the Group.

www.keells.com/investor-presentation

FINANCIAL AND MANUFACTURED CAPITAL

Performance Highlights

Group (Rs.million)	Full Year			Q4	
	2020/21	2019/20	2018/19	2020/21	2019/20
Revenue - consolidated	127,676	138,956	135,456	38,816	36,868
Profit before interest and tax (EBIT)	7,931	13,521	18,153	5,224	5,025
Profit before interest, tax, depreciation and amortisation (EBITDA)	15,609	20,188	23,903	7,206	6,971
Profit before tax (PBT)	5,445	12,403	17,379	5,720	5,339
Profit after tax (PAT)	3,951	9,741	15,001	4,857	4,048
Profit attributable to shareholders	4,772	9,414	14,254	4,757	3,733

Key operational and financial highlights of our performance during the year under review.

- The Group witnessed a faster than anticipated recovery momentum with the performance of most businesses reaching pre COVID-19 levels with business activity and consumer trends being near normal by the end of the financial year.
- Excluding Leisure, Group recurring EBITDA increased by 8 per cent to Rs.19.16 billion [2019/20: Rs.17.76 billion].
- A consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, received a letter of intent (LOI) to develop and operate the West Container Terminal at the Port of Colombo as a public private partnership (PPP) project.
- The Supermarket business witnessed a sharp quarter-on-quarter recovery momentum in sales, with the fourth quarter same store sales recovering to pre COVID-19 levels.
- The Consumer Foods business recorded a strong recovery during the year, particularly the performance of the Frozen Confectionery business. The Frozen Confectionery business recorded its highest monthly sales volume in March 2021 in the history of its operations.
- Whilst the opening of the airports is expected to augur well for reviving the tourism industry in Sri Lanka and the Maldives, the performance of the Leisure business will largely depend on the pace of revival of regional and global travel, when travellers regain confidence, particularly with the vaccination drives in many countries. The performance of the Maldivian Resorts and the momentum of forward bookings have been very encouraging.
- With the completion of one residential apartment and the commercial tower at 'Cinnamon Life', the hand-over process of the units will commence, on a staggered basis, from the first quarter of 2021/22 onwards, resulting in the recognition of revenue and profits from 'Cinnamon Life'. Project completion is scheduled for the first quarter of 2022/23.
- The Insurance business recorded double digit growth in gross written premiums during the year driven by an encouraging increase in regular new business premiums. The Banking business recorded an increase in profitability driven by focused recovery efforts, cost management initiatives and higher investment income.

		2020/21	2019/20	2018/19
Diluted earnings per share	(Rs.)	3.6	7.1	11.1
Return on equity (ROE)	(%)	2.2	4.5	7.5
Pre-tax return on capital employed (ROCE)	(%)	2.1	4.2	6.8
Total assets	(Rs.million)	536,679	436,944	363,797
Net debt to equity	(%)	20.0	14.0	1.9

RECOVERY MOMENTUM EXCLUDING LEISURE

With the onset of the COVID-19 pandemic, Group performance in the year under review was impacted, particularly in the first quarter. However, the Group witnessed a faster than anticipated recovery momentum with the performance of most businesses, except for the Leisure industry group, reaching pre COVID-19 levels with business activity and consumer trends being near normal by the end of the financial year.

GROUP REVENUE, EXCL. EQUITY ACCOUNTED INVESTEES

Rs.**122.32**bn — 1%

2019/20: Rs.121.36bn

RECURRING EBITDA

Rs.**19.16**bn — 8%

2019/20: Rs.17.76bn

RECURRING PBT

Rs.**13.95**bn — 1%

2019/20: Rs.13.85bn

RECURRING PAT

Rs.**11.53**bn — 3%

2019/20: Rs.11.19bn

RECURRING PAT ATTRIBUTABLE TO EQUITY HOLDERS

Rs.**10.96**bn — 3%

2019/20: Rs.10.63bn

	Q4		
Rs.million	2020/21	2019/20	YoY %
Revenue	36,146	30,816	17
EBITDA	7,123	5,057	41
PBT	6,994	4,708	49

GROUP HIGHLIGHTS

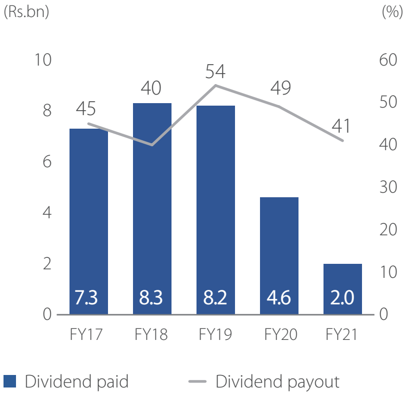
INSIGHTS

In June 2020, JKH entered into a 10-year financing arrangement for USD 175 million with the International Finance Corporation (IFC). Although the entirety of the loan was drawn down during the year, this did not impact Group net debt since the cash balance was retained at a Holding Company level.

JKH Equity Market Trading Statistics

		2020/21	2019/20
Average daily turnover	(Rs.million)	238	223
Percentage of total market turnover	(%)	8	28
Market capitalisation	(Rs.billion)	196.0	152.2
Percentage of total market capitalisation	(%)	6.3	7.1

Distributions to Shareholders and Payout Ratio



- During the year under review, the Company paid three interim dividends of Rs.0.50 per share, each, in August and December 2020, and March 2021.
- A final dividend for 2020/21 of Rs.0.50 per share is declared to be paid in June 2021, reflecting the positive momentum of the performance of the businesses in the fourth quarter of 2020/21, notwithstanding the impacts of the current outbreak on the cash generation capability of the Group's diverse portfolio of businesses and the continued impact of the Leisure businesses on the overall performance of the Group.
- The total dividend declared per share for the financial year 2020/21 amounted to Rs.2.00 per share [2019/20: Rs.2.50 per share].
- The Group will follow its dividend policy which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity, particularly given the prevailing challenging circumstances, and fund its pipeline of strategic investments.

Industry Group-wise Quarterly Performance

The following provides an insight to the performance of the industry groups across the quarters, demonstrating the recovery trajectory to pre COVID-19 levels.

- The Group businesses were significantly impacted in Q1 due to the lockdown implemented to mitigate the spread of COVID-19 from March 2020 onwards.
- Post the easing of restrictions from mid-May 2020 onwards, Group businesses, with the exception of Leisure, displayed a faster than anticipated recovery momentum in Q2.
- The outbreak of the second wave of COVID-19 in early October 2020 and the resultant restrictions imposed caused a slowdown in business activity and dampened consumer sentiment, although less pronounced than originally witnessed in the first lockdown. The subsequent gradual easing of restrictions enabled the businesses across the Group to recover to near normal levels by the end of Q3.
- The recovery momentum continued during Q4, with Group businesses, with the exception of Leisure, demonstrating a strong performance, particularly on the back of improved consumer sentiment.
- For comparative purposes, it should be noted that operations in March 2020 were disrupted for a period of 2 weeks with the onset of the pandemic in the country.

Group EBITDA 2020/21	Rs.million				YoY %				Total (Rs.million)		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020/21	2019/20	YoY %
Transportation	395	929	930	1,356	(63)	(16)	(28)	47	3,610	4,375	(17)
Consumer Foods	487	953	605	1,276	(42)	30	(16)	15	3,321	3,408	(3)
Retail	502	1,373	1,696	1,952	(52)	34	8	32	5,523	5,108	8
Leisure	(1,461)	(1,187)	(1,008)	84	(335)	(1,163)	(258)	(96)	(3,572)	2,327	(253)
Property	(29)	(12)	14	10	(162)	(128)	(57)	(98)	(17)	641	(103)
Financial Services	537	652	1,300	1,156	23	16	12	39	3,645	2,988	22
Other, incl. Information Technology and Plantation Services	371	608	748	1,373	(24)	39	242	606	3,100	1,340	131
Group	802	3,316	4,285	7,206	(78)	(18)	(24)	3	15,609	20,188	(23)
Group, excl. Leisure	2,263	4,503	5,293	7,123	(42)	15	6	41	19,182	17,860	7

ECONOMIC VALUE ADDED STATEMENT

As a leader in diverse industries, the Group's impact spans far and wide, generating and distributing considerable economic value to the nation and all areas within the Group's sphere of operations.

Direct Economic Value Generated
Rs.**144,898**mn
2019/20: Rs.155,594mn

REVENUE
Rs.127,676mn
2019/20: Rs.138,956mn

FINANCE INCOME*
Rs.10,689mn
2019/20: Rs.9,357mn

SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEES
Rs.4,159mn
2019/20: Rs.4,466mn

PROFIT ON SALE OF ASSETS AND OTHER INCOME
Rs.2,627mn
2019/20: Rs.2,242mn

VALUATION GAIN/(LOSS) ON INVESTMENT PROPERTY
Rs.(253)mn
2019/20: Rs.573mn

Economic Value Distributed
Rs.**134,939**mn
2019/20: Rs.137,931mn

OPERATING COSTS
Rs.109,977mn
2019/20: Rs.110,817mn

EMPLOYEE WAGES AND BENEFITS
Rs.15,342mn
2019/20: Rs.15,805mn

PAYMENTS TO PROVIDERS OF FUNDS
Rs.6,419mn
2019/20: Rs.8,003mn

PAYMENTS TO GOVERNMENT
Rs.3,066mn
2019/20: Rs.3,250mn

COMMUNITY INVESTMENTS
Rs.135mn
2019/20: Rs.56mn

Economic Value Retained
Rs.**9,959**mn
2019/20: Rs.17,663mn

DEPRECIATION
Rs.4,726mn
2019/20: Rs.4,185mn

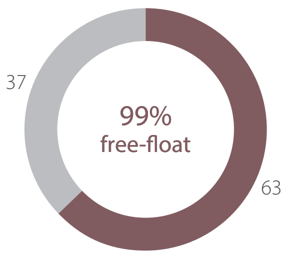
AMORTISATION
Rs.3,261mn
2019/20: Rs.2,769mn

PROFIT AFTER DIVIDENDS
Rs.1,972mn
2019/20: Rs.10,709mn

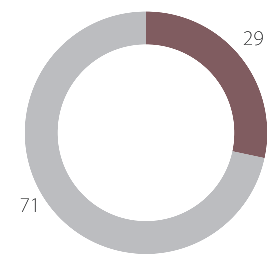
Includes interest income from life insurance policyholder funds at Union Assurance PLC.

GOVERNANCE

Shareholding Structure
(%)



Board Composition
(%)



Introduced an improved and augmented **Agile Working Policy** to facilitate the current working arrangements with greater clarity, ensuring a higher degree of employee involvement and flexibility.

RESILIENCE IN INVESTING

- The Group has been on an investment heavy cycle, where significant capital has been deployed in our Group businesses which paves the way for transformative growth into the future.
- However, despite the unprecedented events over the last two years, which significantly impacted the performance of the portfolio, these investments have continued steadfastly, demonstrating the Group's 'resilience in investing'. These investments include;
    - The iconic 'Cinnamon Life' project – this investment is poised to realise the benefits from the commencement of operations from the ensuing year onwards.
    - Doubling of the number of Supermarket outlets to over 120 outlets in the last three years, post the roll out of the new brand identity and related initiatives.
    - Significant capacity and capability expansion in the Frozen Confectionery business with the investment in the impulse ice cream factory.
    - Investments in enhancing its efficiencies and capability in businesses such as the Insurance business.
    - Refurbishing and upgrading its three Maldivian hotels, including the acquisition of a long-term lease on a new hotel, 'Cinnamon Velifushi Maldives' and re-opening of 'Cinnamon Bentota Beach' in Sri Lanka.
- While these investments had short-term impacts on performance over the last couple of years on account of related expenses and disruptions, the longer-term benefits of some of these investments are now translating to significant performance upside in these businesses, which are not fully visible in the reported results due to the offsetting impact on account of disruptions given the unprecedented events over the last two years.
- Investments going forward will include the West Container Terminal in the Port of Colombo in partnership with the Adani Group in India, continuing investments towards the outlet expansion at the Supermarket business, enhancing capability in the Frozen Confectionery business, among others.

INVESTOR RELATIONS

GROUP HIGHLIGHTS

COVID-19 INSIGHT

The Group evaluated the resilience of the businesses under multiple scenarios, including extreme operating conditions and continued to proactively evaluate operational and financial health measures which included the following:

- Adopted weekly dashboards, covering financial and non-financial KPIs and revised targets.
- Established 'cash war rooms' and 'spend control towers'.
- A freeze on all non-essential capital expenditure.
- Enforced stringent expense control measures.
- Applied for relief measures extended by the Government and Central Bank, where relevant.

DIVERSITY, EQUITY AND INCLUSION

- Institution of a Gender Policy.
- Enhancing aspects of employer supported childcare such as extension of maternity and paternity leave and introduction of adoption leave.
- Launching awareness sessions on addressing unconscious bias.
- Establishment of the Group's first Diversity, Equity and Inclusion (DE&I) team.

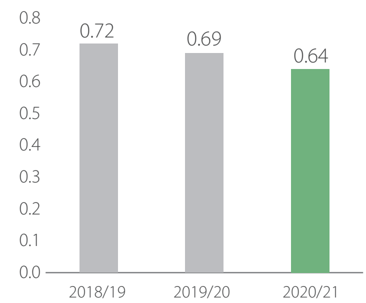
OUTLOOK

Primary areas of focus and challenges, amongst many others, being recurrently addressed by JKH

- Board diversity
- Board independence
- Increasing emphasis on environmental, social and governance (ESG) aspects
- Continual strengthening of internal controls
- Digital oversight and cyber security
- Data protection, information management and adoption
- Greater employee involvement in governance

NATURAL CAPITAL

Carbon Footprint (MT) per Rs.million of Revenue
(Rs.Mn)



NEW SUSTAINABILITY GOALS FOR 2025

New goals established are at company or sector level with goals extending into new focus areas

ENERGY SAVING

1,113 GJ

of energy saved through energy efficiency and other initiatives at business unit level

PAPER CONSERVATION

Collected

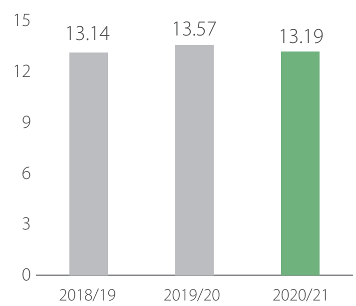
18,899 kg

for recycling

33% WATER TREATED

22% WASTE RECYCLED/ REUSED

Water Withdrawal (m³) per Rs.million of Revenue
(Rs.Mn)



CARBON FOOTPRINT

82,009 MT

2019/20 96,821 MT

15%

WATER WITHDRAWN

1,677,672 m³

2019/20 1,896,084 m³

12%

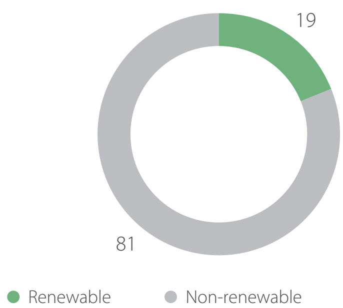
WASTE GENERATED

6,763 MT

2019/20 7,760 MT

13%

Energy Breakdown
(%)

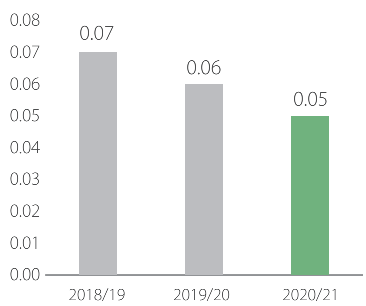


plasticcycle

11 MT

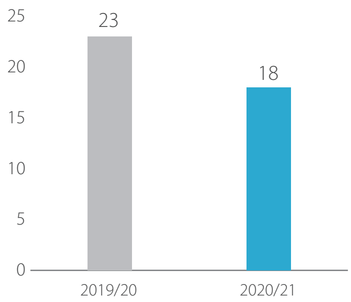
of recyclable plastic waste collected island-wide

Waste Generated (MT) per Rs.million of Revenue
(Rs.Mn)

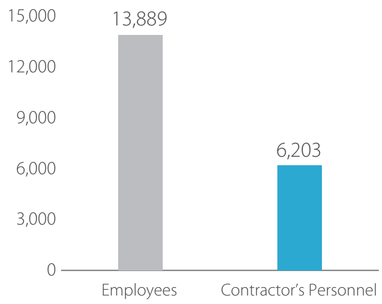


HUMAN CAPITAL

Total Group Attrition
(%)



Total Group Workforce
(Persons)



Revised Maternity & Paternity leave policies

TRAINING

315,547 hours

2019/20: 629,844 hours

50%

INJURIES

83 incidents

2019/20: 118 incidents

30%

ONLINE TRAINING DURING COVID-19 PANDEMIC

Remote learning, e-modules, knowledge sharing series, learning competitions, leadership development and access to e-books.

100%

EMPLOYEES RECEIVING PERFORMANCE REVIEWS

Employee benefit liability as of 31 March (Rs.billion)

2020/21	2019/20
2.3	2.3

oneJKH

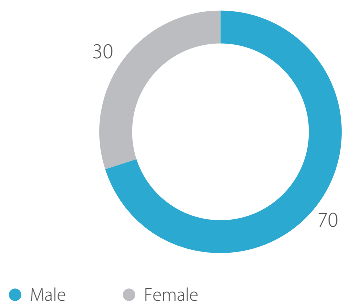
Goal to increase female participation to 40% by 2025/26

AGILE WORKING POLICY

Established to serve as guidance for Group companies, to put in place working arrangements to ensure business continuity and safe and flexible conditions for employees and other stakeholders.

226
Number of Volunteers

Employees by Gender
(%)



~900
Number of Volunteer Hours

INTELLECTUAL CAPITAL

RESEARCH AND DEVELOPMENT

John Keells Research (JKR) explored opportunities to commercialise JKR's contemporary rubber graphite composite technology and its wireless energy harvesting technology.

TOP 10

The 'Keells' brand was listed amongst the top 10 most visible brands on the internet in Sri Lanka by the Asia Pacific Institute of Digital Marketing.

John Keells X continued to monitor and support its current portfolio of start-ups.

OCTAVE

OCTAVE continued to develop, pilot and roll out a series of use cases in the Supermarket and Insurance businesses, where preliminary results have been promising.

STRATEGIC REALIGNMENT

'Cinnamon Hotels & Resorts' was strategically realigned to create a unified organisational structure to ensure a synergised approach across the Group's hotels with a view to providing a further enhanced customer value proposition.

AWARDS

Union Assurance (UA) was awarded the Best Brand and Sustainable Marketing Excellence award by CMO Asia/CMO Global and was selected as the top ranked Insurance Company in the Life and Non-life categories in the inaugural 'LMD's Most Awarded'.

The 'Elephant House' brand won the gold award for 'confectionery and beverage products'.

GROUP HIGHLIGHTS

SOCIAL AND RELATIONSHIP CAPITAL

Rs.144,898 Mn Economic Value Generated

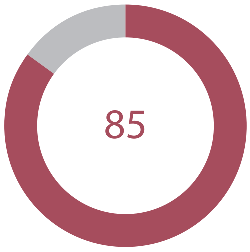
Rs.134,939 Mn Economic Value Distributed

Rs.9,959 Mn Economic Value Retained

SUPPLIER ENGAGEMENT

- 72 suppliers engaged through supplier fora
- Supplier Code of Conduct in place

Purchases from Suppliers within Sri Lanka
(%)



100%
BUSINESSES ANALYSED FOR RISK OF CORRUPTION

Rs.51 Mn
CSR spend

756,153
Number of people impacted

CSR Focus Areas:

EDUCATION

PERSONS BENEFITED
2,805

Key Projects:

- Soft Skills Webinar Series piloted for university students
- Launch of Skill into Progress (SKIP) programme to upskill selected suppliers of the Group in strategic business skills
- English Language scholarships and Higher Education scholarships awarded to disadvantaged school children and university students

HEALTH

PERSONS BENEFITED
334,908

Key Projects:

- Public awareness campaigns to commemorate the International Day for the Elimination of Violence against Women and National Children's Day and launch of a staff e-learning platform
- Piloting of Substance Abuse Prevention Awareness programmes

LIVELIHOOD DEVELOPMENT

PERSONS BENEFITED
247,713

Key Projects:

- Closure of the 7-year integrated development programme in two disadvantaged villages in Mullaitivu
- Empowerment of women's livelihoods by upskilling women engaged in batik craft and in producing paper products

ENVIRONMENT

FOREST RESTORATION UNDERTAKEN
20 Ha

Key Projects:

- Initiation of a restoration project involving 20 hectares of identified forest land adjoining the Sinharaja forest, a world heritage site
- Commencement of the 8th phase of the tea replanting project
- 239 persons benefited

ARTS & CULTURE

PERSONS BENEFITED
93,635

Key Projects:

- Kala Pola (Art Fair): hosting of the first virtual event and piloting of a pop-up sale featuring senior artists
- Continuation of primary sponsorships for the Museum of Modern and Contemporary Art and the Gratiaen Trust
- Commencement of sponsorship of the Aluwihare Heritage Centre

DISASTER RELIEF

PERSONS BENEFITED
76,853

Key Projects:

- Immediate food relief for affected communities
- Support for COVID-19 front-line workers through donation of various health and safety equipment
- Support for resumption of school and public institutions post-lockdown through the provision of handwashing units

INDUSTRY GROUP HIGHLIGHTS

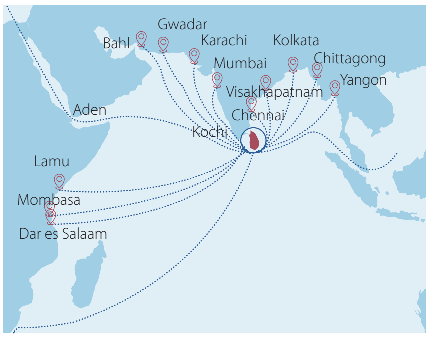
TRANSPORTATION

KEY HIGHLIGHTS

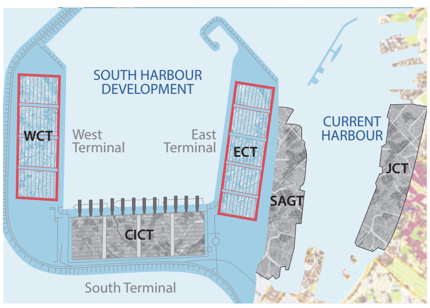
- A consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, executed a letter of intent (LOI) to develop and operate the West Container Terminal at the POC as a public private partnership (PPP) project on a build, operate and transfer (BOT) basis for a lease period of 35 years.
- Lanka Marine Services (LMS) entered into a contract with Sinopec Fuel Oil Lanka Limited. (SFOL) to supply bunker fuel in the Port of Hambantota (POH).

Our Business

- 42 per cent stake in SAGT – container terminal (capacity of ~2 million TEUs).
- Leading bunkering services provider.
- One of the largest cargo and logistics service providers in the country.
- JV with Deutsche post for DHL air express and AP Moller for Maersk Lanka.
- GSA for KLM Royal Dutch Airlines and Gulf Air.
- Warehousing and supply chain management.
- Domestic scheduled and charter air taxi operations.



The Port of Colombo (POC) is strategically positioned on the main East-West shipping routes.



Capacity enhancements in the POC - WCT and ECT.

Industry Potential

- Envisaged capacity enhancements in the POC and shipping lines opting for 'hub and spoke' services will spearhead the thrust to establish Colombo as a leading transshipment hub in the region.
- Expected increase in bunkering market driven by increased storage and infrastructure.
- Growing demand for logistics services through growth in inbound project cargo and other major industries.

Key Performance Indicators

		2020/21	2019/20	%	2018/19
SAGT volumes	(TEU '000)	1,810	2,066	(12)	2,074
Transshipment: Domestic mix		87:13	81:19		81:19
Port of Colombo volumes	(TEU '000)	6,800	7,241	(6)	7,132
Bunkering volume growth	(%)	(20)	(7)		6
Warehouse space under management	(Sq.ft. '000)	517	318	62	315

INSIGHT INTO 2020/21 PERFORMANCE

2020/21		Q1	Q2	Q3	Q4	Q2 to Q4*	Full year
SAGT volumes	(TEU '000)	377	527	439	467	1,433	1,810
Port of Colombo volumes	(TEU '000)	1,474	1,911	1,665	1,750	5,325	6,800
Bunkering volume growth	(%)	(30)	(28)	(18)	(21)	(17)	(20)

** Excludes the impact of lockdown restrictions in Q1 due to COVID-19.*

Strategy and Outlook

Immediate to Short-Term

Ports, Shipping and Bunkering

- Short-term disruptions to industry demand possible on the back of the COVID-19 crisis in India as several ports globally have barred the entry of vessels which have called at South Asian ports, including Sri Lanka. While it is premature to assess the impact of these developments, market expectations are that it will be short-term and that trade volumes will remain resilient.
- Given that most employees in the Ports business are fully vaccinated, it is unlikely that there will be a serious outbreak of cases disrupting operations.

Logistics and Transportation

- Leverage on opportunities arising from increased demand for warehousing and deliveries via e-commerce platforms.
- Explore prospects for cross business opportunities.
- The continuing impact of reduced tourist arrivals, passenger traffic, travel restrictions and dampened consumer sentiment is expected to impact the Airline businesses.

Medium to Long-Term

Ports, Shipping and Bunkering

- Anticipated growth in regional and global economies coupled with a rebound in the domestic economy is expected to facilitate a growth in overall volumes in the POC.
- Focus on improving transshipment: Domestic TEU mix to optimise profitability.
- Continue to explore opportunities arising from the Ports of Colombo, Hambantota and Trincomalee, particularly in relation to bunkering and storage.

Logistics and Transportation

- Explore opportunities arising from the anticipated growth in regional and domestic trading activity, and ongoing infrastructure developments in the country.
- Optimise cost and operational efficiencies through emphasis on digitisation initiatives.
- Recovery in tourism is expected to improve performance of the Airline segment.

INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

CONSUMER FOODS

Industry Potential

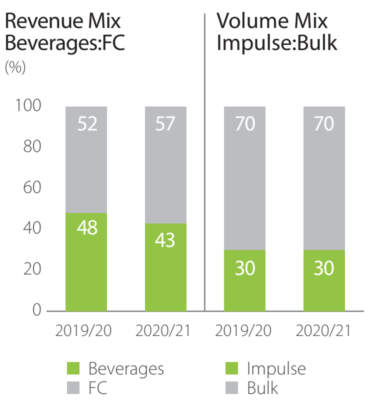
- Per capita consumption of beverages at 14 litres, is below peer markets.
- Per capita consumption of ice creams at 3 litres, is far below developed markets.
- Bulk:impulse ice cream mix in regional markets is highly skewed towards the impulse segment, demonstrating significant potential within the impulse category.
- Emerging 'health conscious' consumers and growing need for 'convenient' main meal options.

Our Business

- Strong market presence in beverages, frozen confectionery and processed meats through 'Elephant House' and 'Keells-Krest' brands.
- Pioneers of instant rice branded 'Ezy rice', an affordable, easy-to-prepare and ready-to-eat single serve product.
- A portfolio of beverages catering to a wide array of customers and island-wide distribution network.

Key Performance Indicators

%	2020/21	2019/20	2018/19
Volume Growth			
Beverages (CSD)	(14)	7	(25)
Frozen Confectionery (FC)	(1)	3	10
Convenience Foods	(6)	0	7
EBITDA Margins			
Beverages and FC	20.3	21.2	17.6
Convenience Foods	19.0	13.5	19.2
PBT Margins			
Beverages and FC	14.2	14.7	11.5
Convenience Foods	12.3	8.1	14.8



100,000+
Outlet reach

49
Ice Cream flavours

15
CSD flavours

~2,500
Total freezers and coolers deployed during the year

INSIGHT INTO 2020/21 PERFORMANCE

Volume growth 2020/21 (%)	Q1	Q2	Q3	Q4	Q2 to Q4	Full year
Frozen Confectionery	(36)	19	(11)	30	13	(1)
Impulse	(40)	16	(6)	16	10	(3)
Bulk	(34)	20	(13)	38	14	(0)
Beverages (CSD)	(44)	1	(13)	1	(3)	(14)
Convenience Foods	(27)	(2)	(13)	22	1	(6)

- Although volumes in Q1 were significantly affected by the island-wide curfew, the easing of restrictions thereafter in mid-May resulted in a faster than expected recovery where volume growth reverted to pre-lockdown levels by the second quarter.
- This momentum was hampered by the performance of Q3 which was impacted by the cluster outbreaks in early-October and the resultant restrictions imposed, although less pronounced than originally witnessed during the first lockdown.
- Notwithstanding this, the businesses witnessed a recovery in volumes in Q4 of 2020/21. However, volumes in March 2020 were disrupted thereby distorting the comparative.

Strategy and Outlook

Immediate to Short-Term

- The recent outbreak of COVID-19 cases may result in temporary disruptions to the Consumer Foods businesses, hampering the recovery momentum in volumes.
- Similar to the trends in 2020/21, a recovery in volumes is expected once the stringent isolation and healthcare measures are eased.
- Augment its processes to thrive in the 'new normal' and continued emphasis on exploring business opportunities in emerging online and delivery channels.
- Proactively engage with suppliers and distributors to ensure a seamless supply chain and better handle the working capital cycle.

Medium to Long-Term

- Activity levels are expected to rebound in tandem with improving consumer confidence and economic activity driven by an accommodative monetary policy.
- Continue to invest in supply chain and augment product portfolio to drive growth in both urban and rural areas.
- Focus on initiatives aimed at improving product margins across the portfolio.
- Focus on consolidating product portfolio.
- Invest in digitisation, particularly leveraging on data analytics to optimise cost savings, production practices and productivity, and identify growth opportunities.

RETAIL

Industry Potential

Supermarket Business

- Modern trade penetration at 16 per cent, is one of the lowest in the region.
- Growing popularity of modern trade as a result of:
  - Convenient and modern shopping experience.
  - Access to diverse categories and brands at attractive prices.
  - Rising per capita income, rapid urbanisation and changing consumption patterns.

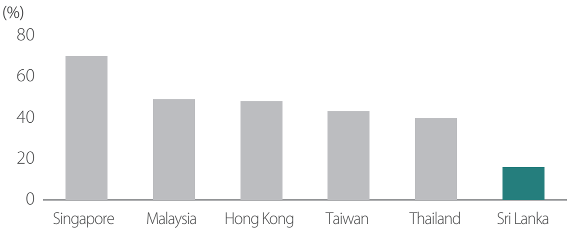
Office Automation Business

- Increased smartphone penetration in the country.
- Increased digital adoption within the country driven by smart mobile devices.

KEY HIGHLIGHTS

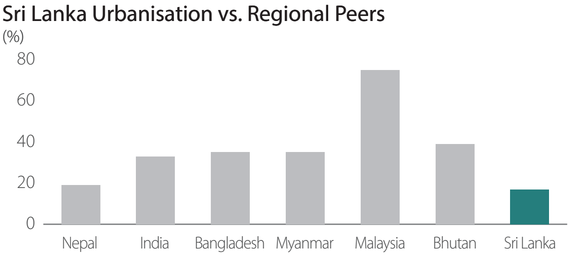
- The Supermarket business revamped its online platform, enabling a more diverse offering and real-time stock availability, amongst other features, to enable a faster and better shopping experience.
- The Office Automation business recorded a 25 per cent growth in volumes in the mobile phone segment reaching a billion rupees in sales during the months of November and December, for the first time in history.

Modern Retail Penetration



Source: Central Bank of Sri Lanka, Nomura Research Institute

Sri Lanka Urbanisation vs. Regional Peers



Source: World Bank indicators

Our Business

Supermarket Business

- High brand equity post the rebranding of 'Keells' – recognised as the 'Most Valuable Supermarket Brand in 2020' by Brand Finance.
- 123 modern trade outlets uniquely branded to cater to evolving consumer lifestyles.
- Private label consisting of ~400 SKUs.
- Operates 'Nexus mobile', one of the most successful loyalty programmes in the country with ~1.4 million active members.

Office Automation Business

- John Keells Office Automation (JKOA) is the authorised distributor for Samsung smartphones and leading global office automation brands.

Key Performance Indicators

Supermarkets (%)	2020/21	2019/20	2018/19
Same store sales growth	(8.6)	4.0	2.3
Same store footfall growth	(31.5)	1.8	4.5
Average basket value growth	33.4	2.2	(2.0)
EBITDA margin	7.6	8.0	5.4
PBT margin	0.8	1.7	0.1

Office Automation (%)	2020/21	2019/20	2018/19
EBITDA margin	8.9	7.5	5.1
PBT margin	9.1	5.1	2.2

INSIGHT INTO 2020/21 PERFORMANCE

2020/21 (%)	Q1	Q2	Q3	Q4	Q2 to Q4	Full year
Same store sales	(33.1)	(1.9)	(1.0)	1.5	(0.4)	(8.6)
Customer footfall	(55.3)	(17.2)	(33.8)	(19.1)	(23.6)	(31.5)
Average basket value	49.7	18.5	49.6	25.5	30.3	33.4

The statistics on footfall and basket values are distorted in the short-term due to changes in shopping patterns.

- Same store sales in the first quarter in the year under review was significantly impacted by the island-wide lockdown. Revenue was negatively impacted during this period, as most of the outlets remained closed to the public while online sales could not fully offset this impact.
- The easing of restrictions thereafter in mid-May resulted in a recovery in sales towards pre-lockdown levels in the second quarter.
- The cluster outbreaks in early-October 2020 and the resultant restrictions triggered panic buying which led to an increase in same store sales and average basket value (ABV), despite the decline in footfall. The business also witnessed an increase in the penetration of online sales due to the isolation measures which were in place.
- The business recorded a recovery in same store sales, thereafter, driven by growth in ABV on the back of improved consumer sentiment, recovery in discretionary spending, and changes in shopping behaviour in light of COVID-19.
- While same store sales recorded a decline as explained above, the revenue and contribution from new stores helped partially mitigate this impact.

INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

Strategy and Outlook

Immediate to Short-Term

- Despite the ongoing outbreak of COVID-19 cases, the impact on performance is expected to be less pronounced than witnessed previously, given that the business is better equipped to navigate these challenging times.
- Ramp up capability in serving customers through online delivery platforms through an omni-channel approach.
- Engage with suppliers and other stakeholders to ensure a continually functioning supply chain.

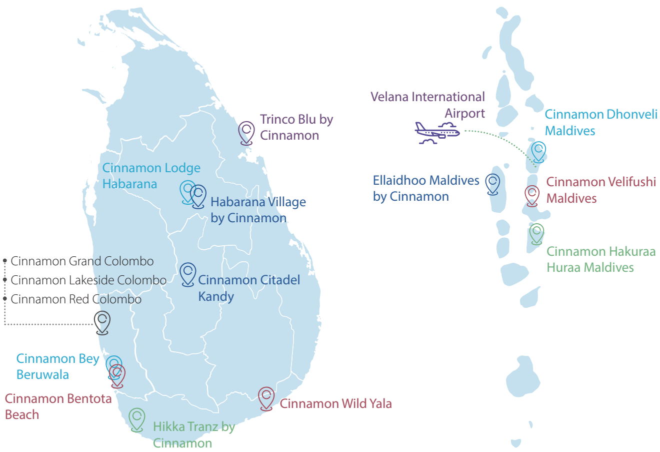
Medium to Long-Term

- Capitalise on the low penetration of modern trade in the country.
- Expansion of outlets in both urban and suburban areas through a mix of modular and standard stores.
- Proposed distribution centre to drive significant process and operational efficiencies.
- Leverage on data analytics for the development and implementation of use cases to enhance business performance and productivity.
- Increase private label penetration to enhance customer choice and drive profitability margins.
- Differentiate the shopping experience through its 'fresh' promise, service excellence and quality within 5 activity pillars; product, price, place, people and the customer.

LEISURE

Industry Potential

- Encouraging growth momentum of tourist arrivals to Sri Lanka (5-year CAGR of 13 per cent – as at CY2018).
- Proximity to India and increased flight connectivity.
- Infrastructure led growth driving MICE and corporate tourists.
- Sought after tourist destination in the region, with increased popularity and recognition – centred around its natural diversity and cultural heritage.



KEY HIGHLIGHTS

- The Maldivian and the Sri Lankan airports were closed until July 2020 and January 2021, respectively.
- Post the opening of the Malé airport, the Maldivian Resorts segment witnessed an encouraging recovery in occupancy from December 2020 onwards. The segment also witnessed an increase in the average duration of stay in comparison to CY2019.

Key Performance Indicators

		2020/21	2019/20	2018/19
Colombo Hotels				
Occupancy*	(%)	3	34	48
ARR	(USD)	104	100	128
EBITDA margin	(%)	(84.0)	10.5	22.7
Sri Lanka Resorts				
Occupancy	(%)	16	61	80
ARR	(USD)	64	78	90
EBITDA margin	(%)	(140.6)	11.4	30.2
Maldivian Resorts				
Occupancy	(%)	27**	56	84
ARR	(USD)	349	364	320
EBITDA margin	(%)	(8.4)	27.0	28.3

** Excludes 'Cinnamon Red Colombo'.*
***Occupancy in Q4 was at 53 per cent.*

Our Business

- 'Cinnamon', a well-established hospitality brand in Sri Lanka and the Maldives.
- Diverse product offering based on 'Inspired living'.
- Combined room inventory of 2,556 rooms under management in both Sri Lanka and the Maldives.
- Land bank of 125 acres of freehold and 111 acres of leasehold land in key tourism locations.
- Leading inbound tour operator.

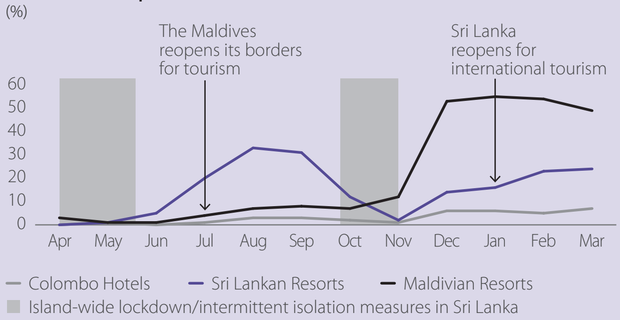
3 Colombo Hotels

12 Resort Hotels in Sri Lanka and the Maldives

Sri Lanka **2,112**
Maldives **454**
Rooms under management

INSIGHT INTO 2020/21 PERFORMANCE

Leisure - Occupancies



- Restrictions in travel worldwide and the closure of borders for most parts of the year adversely impacted the Leisure businesses.
- It is encouraging to witness the momentum of forward bookings in the Maldives, demonstrating a significant 'pent up' demand for leisure travel.
- Leisure businesses in Sri Lanka witnessed a recovery in domestic travel coupled with a revival in banqueting and, food and beverage activity, although this was temporarily impacted by the outbreak in October 2020.
- The latter end of the period under review was characterised by positive developments such as the roll out of COVID-19 vaccines, re-opening of both international airports in Sri Lanka for tourism coupled with better sentiment although performance continued to be significantly affected given restrictions in travel in key source markets.

Strategy and Outlook

Immediate to Short-Term

- The current outbreak of COVID-19 cases in Sri Lanka may impede recovery, particularly given adverse travel advisories from source markets and the imposition of island-wide travel restrictions by the Government.
- The use of a few Group hotels as intermediate care centres (ICC) for the treatment of asymptomatic COVID-19 patients will help partially mitigate the impact of a drop in domestic tourism.
- Operations are expected to revert to pre COVID-19 levels over the next few months given the aggressive ramp up of the COVID-19 vaccination programme in the country coupled with a resurgence in international travel.
- Forward bookings at the Group's hotels indicate significant 'pent up' demand for leisure travel, similar to the recovery trends in arrivals witnessed in the Maldives.
- The Group envisages a full revival of tourism to the Maldives by the end of this year.

Medium to Long-Term

- The prospects for tourism remain extremely positive considering the diversity of the offering and the potential for regional tourism.
- Greater focus on asset-light investment models as a part of the strategy to enhance the 'Cinnamon' footprint.
- Colombo Hotels segment will uniquely position itself to capitalise on the MICE and banqueting segment through the addition of the 'Cinnamon Life' hotel to its portfolio in 2022/23.
- Capitalise on the envisaged growth in tourism by leveraging on the availability of the full complement of the portfolio of hotels in Sri Lanka and the Maldives post refurbishment and upgrades.

PROPERTY

Industry Potential

- An urban population of 17 per cent, far below regional peers.
- Emerging suburban multi-family housing market.
- Increasing demand for mid-tier housing units within the city.
- Port City Colombo project, positioning Sri Lanka as a regional financial and trade hub.
- Increased demand for commercial space.

342
'Tri-Zen' units sold

Pre-sales of the 'Cinnamon Life' Residential Towers
64%
of the total area available for sale

Our Business

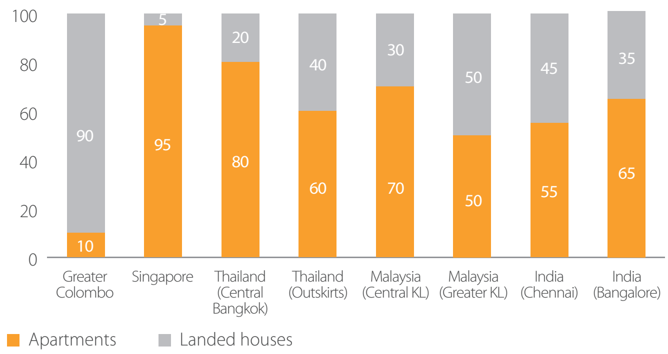
- Reputed property developer in the country with multiple high-rise apartments completed and fully sold.
- Projects developed under the 'Luxe Spaces', 'Metropolitan Spaces' and 'Suburban Spaces' verticals which cater to the luxury, mid-tier and suburban multi-family housing segments.
- Construction of the iconic integrated mixed-use development 'Cinnamon Life' comprising a 800-room super luxury hotel and conference centre, a state-of-the-art office complex, luxury residential apartments and a retail mall.
- Ongoing development of 'Tri-Zen', a 'Metropolitan' development based on smart living in the heart of the city.
- Land bank:
  - Prime land bank of over 36 acres in central Colombo.
  - Developable freehold land of ~25 acres in close proximity to Colombo city.
  - Over 500-acres of scenic leased land with an 18-hole golf course with a developable land extent of ~80 acres.

INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

Significant investments in public infrastructure enabling better connectivity and mobility which contributes to significant land price appreciation.

Apartment Penetration in Sri Lanka in Comparison to Regional Peers
(%)



Source: Company analysis

Key Performance Indicators

Mall Occupancy (%)	2020/21	2019/20	2018/19
K-Zone Ja-Ela	82	87	91
K-Zone Moratuwa	90	98	85
Crescat	71	85	97

**Occupancy during the year was impacted by the COVID-19 related restrictions.*

Cumulative Sales (Units)	2020/21	2019/20	2018/19
Cinnamon Life			
The Residence	140	137	136
Suites	111	110	104
Commercial Complex	4	4	4
Tri-Zen	342	262	200

**With the completion of the residential and apartment towers, there is a significant increase in sales interest.*

KEY HIGHLIGHTS

- With 'Cinnamon Life' nearing completion, the Group is now poised to realise its benefits; revenue and profit recognition from the handover of the residential and office units will commence from the first quarter of 2021/22 onwards. Project completion is scheduled for the first quarter of 2022/23.
- The Group launched its first real estate products under the Victoria Golf course development during Q3, which includes land parcels, town houses and villa developments.
- As a part of the planned Group's land banking strategy, the Group increased its equity stake at Vauxhall Land Developments (Private) Limited (VLDL), an entity which owns a 9.38-acre plot of prime land on Vauxhall Street, Colombo. With this acquisition, the Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term.

Strategy and Outlook

Immediate to Short-Term

- Despite the escalation of COVID-19 cases in the country, construction activity at both 'Tri-Zen' and 'Cinnamon Life' sites are currently continuing, in adherence to stringent regulations.
- The business will continue to work closely with contractors to manage the impact on the overall projects, its resources and deliverables.
- The commissioning of the towers at 'Cinnamon Life' along with the rest of the complex nearing completion has led to a significant increase in sales interest.
- Capitalise on the opportunity of low mortgage rates to drive home ownership.

Medium to Long-Term

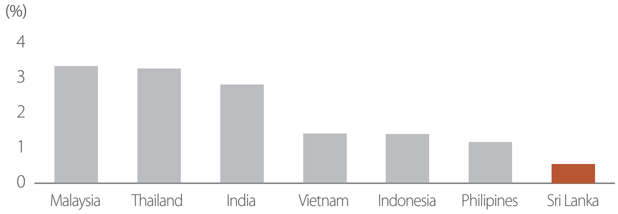
- Monetise the existing land bank available to the industry group, subject to market conditions, through systematic development strategies to roll out a robust pipeline of developments via the land parcels available.
- Shift to a broader customer base, targeting domestic demand for high quality housing at attractive price points.
- Continue to explore the expanding of its commercial real estate offering, subject to demand shifts due to the pandemic, at attractive price points.
- Focused strategies for expansion via developer/landowner tie-ups.

FINANCIAL SERVICES

Industry Potential

Life Insurance Industry

Life insurance penetration at 0.55 per cent of GDP, one of the lowest penetrated markets in the South Asian region.



Source: Swiss Re sigma No 4 /2020

11.3% of working population
Over 65 age group

Elderly population (over 65) as a proportion of the working population is expected to rise from 9 per cent in 2015 to 21 per cent by 2045.

- Increased labour mobility and economic development is expected to increase the level of urbanisation in Sri Lanka, which is currently low compared to the rest of the world.
- Increased requirement for digital capabilities amidst COVID-19 pandemic.
- Under-utilised bancassurance and digital distribution channels, despite high bank branch density.

Banking Industry

- Industry loans and advances growth of 11 per cent in calendar year 2020.
- Advances in technology around customer experience, disintermediation, delivery channels, and process automations.

Our Business

Life Insurance

- Operating footprint of 75 branches, excluding virtual locations.
- Agency force of over 3,384.
- Market share of 13 per cent.

Banking

- Branch network of 96 outlets, 111 ATMs and 62 CRMs.
- Strong online presence.
- Sri Lanka's first digital bank, 'FriMi'.
- Largest issuer of credit cards in Sri Lanka.

Key Performance Indicators

		CY2020	CY2019	CY2018
Life Insurance				
Premium growth	(%)	13	4	11
Market share	(%)	13	13	14
Life fund	(Rs.billion)	41.9	35.5	30.6
Capital adequacy ratio	(%)	341	362	262
Banking				
Growth in loans and advances	(%)	(7)	2	19
Return on equity	(%)	12.1	12.8	15.3
Net interest margin	(%)	4.1	4.9	5.0
Non-performing loan ratio	(%)	7.2	6.2	4.6
Capital adequacy ratio - total capital	(%)	18.3	18.0	16.0

Strategy and Outlook

Immediate to Short-Term

Life Insurance

- Less disruption to underwriting of new business and collections expected due to improved digital infrastructure and processes.
- Impacts on consumer income may increase the risk of policy lapses.
- Increased requirement for digital solutions amidst the COVID-19 pandemic will bode well given significant investments undertaken in digital capabilities.
- Continued focus on an optimal asset allocation to maximise return while managing risks.

Banking

- A prolonged outbreak may result in lacklustre credit growth on the back of reduced consumer spending.
- Key focus will be to manage collections and recoveries, and selective return-based loan growth.
- The Bank will proactively look to manage its asset quality which may weaken on back of increased stresses in cash flows of the borrowers.
- Continue to leverage on its digital platforms and channels, on the back of increasing demand for digital infrastructure.

Medium to Long-Term

Life Insurance

- Continue to develop innovative insurance products to expand bancassurance and alternate channels, thereby diversifying its channel mix.
- Focus on innovation, digitisation and data analytics for higher operational efficiencies and better customer insights.
- Execute strategies aimed at the continuous improvement of the agency force.

Banking

- Selectively grow in select verticals whilst leveraging on its strong customer relationships, and digital offering.
- Augment its digital infrastructure and processes to ensure better customer service, innovative solutions and efficiency in operations.
- Efficient management of credit costs, management of impairment and preserving credit quality.

INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Industry Potential

Information Technology

- Increased digital adoption within the country and growing digital literacy.
- Investment in futuristic technology infrastructure.
- Businesses and operations increasingly adopting digital practices.
- Competitive labour force and high-quality services to drive the business process outsourcing (BPO) industry.

Plantation Services

- Sustained growth in global tea consumption with growing demand for value-added tea.
- Anticipated growth in demand from Middle Eastern countries.
- Increased focus on existing as well as new markets, whilst capitalising on the unique flavour, quality and brand presence of 'Ceylon Tea'.

Our Business

Information Technology

- Software solutions and consultation services based on Internet of Things (IOT), Robotic Process Automation (RPA) and other digital stack solutions.
- Brand presence in Middle East and North Africa (MENA) and Asia Pacific (APAC) regions as a leading digital solutions provider.
- Strategic partnerships with SAP, Microsoft and UiPath.
- BPO service provider with the mandate of driving greater efficiencies for their clientele. Core focus areas of finance and accounting, payroll management and data digitisation.

Plantation Services

- Leading tea and rubber broker.
- Operates 7 tea factories producing both CTC and orthodox tea.
- Manufacturer of low grown teas.

Strategy and Outlook

Information Technology

Immediate to Short-Term

- Leverage on its strategic partnerships and capabilities to offer smart software solutions, especially in the areas of cloud computing, software as a service (SaaS) and automation.
- Explore potential opportunities for managed services, outsourcing and offshoring in given the 'new' ways of working.

Medium to Long-Term

- Explore opportunities in cloud-based solutions and services across industries, with emphasis on cloud, SaaS, automation, advanced analytics, application modernisation, cyber resilience and, platform/ecosystem thinking, among others.
- Leverage on its strategic partnerships to expand regionally, particularly in the MENA and APAC regions.
- Focus on delivering innovative consultative solutions and services across the four value stacks of 'Core', 'Cloud', 'Platforms' and 'Ecosystems'.
- Build and expand its capabilities beyond core enterprise resource planning (ERP), enterprise applications and managed development centres.
- Expand the range of solutions offered as shared services to drive greater adoption across clients and expand third party clients, locally and offshore.

Plantation Services

Immediate to Short-Term

- Minimal disruptions to the operations of the Colombo tea auction post transition to an electronic platform.
- Factories continued to operate, under social distancing and, health and safety measures, as advised by health officials.
- Potential reduction in oil prices and devaluation of currencies in major tea drinking nations may exert pressure on demand.

Medium to Long-Term

- Explore opportunities to capitalise on demand for low grown tea from Middle East and Russia, and emerging tea drinking countries such as Germany and the United States.
- Emphasis on the quality of products while also diversifying the manufacturing mix to meet market trends and mitigate risks.
- Optimise costs and improve factory utilisation.

DYNAMIC

MANAGEMENT DISCUSSION & ANALYSIS

This Report is prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council with an aim of providing our stakeholders an insightful view of the Group's operations. The Management Discussion and Analysis (MD&A) section of this Report consists of the following sections.

External Environment

Entails a discussion of key macro fundamentals, which impacted favourably or unfavourably, the Group's ability to create value.

Capital Management Review

Discusses the forms of Capital available for deployment and how such Capital created value to stakeholders, at a Group level. It also reviews the performance of each form of Capital and the value enhancement/deterioration during the year under review.

Industry Group Review

Discussion on the operational performance coupled with detailed insights to the value creation process of each industry group.

Outlook

Provides a discussion on the economic outlook for Sri Lanka for the short, medium and long-term, the impacts to the businesses and the overall business strategy of the Group.

Strategy, Resource Allocation and Portfolio Management

Analyses the performance of the overall portfolio, the overall strategy and means by which capital is allocated for investments. The performance of the Group is also measured against the long-term strategic financial objectives of the Group.

Share Information

Entails a high-level discussion on the performance of financial markets, both globally and regionally, followed by a detailed discussion of the JKH share performance. Key disclosures pertaining to shareholders of JKH, as required by relevant regulators, is also included in this section.

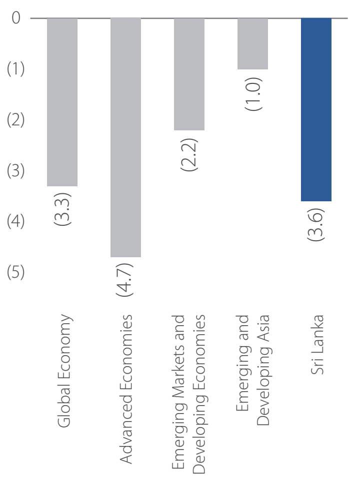
EXTERNAL ENVIRONMENT

This section embodies the economic, political and legal backdrop the Group operated in and the resulting impacts during the year.

The global economy is estimated to have contracted by 3.3 per cent in CY2020 [CY2019: expansion of 2.3 per cent], given the unprecedented impacts arising from the COVID-19 pandemic. Impacts were more pronounced in economies reliant on tourism, commodity exports and those with constraints on the agility of monetary and fiscal policy response. Proactive interventions by Governments and Central Banks through accommodative monetary and fiscal policies to boost economies assisted in curtailing a deeper contraction for CY2020.

CY2020 Economic Growth

(%)



Source: International Monetary Fund World Economic Outlook - April 2021, Central Bank of Sri Lanka

Sri Lanka recorded a 3.6 per cent contraction in GDP in CY2020, the lowest since its independence in 1948, as a result of the COVID-19 pandemic, compared to the growth of 2.3 per cent recorded in CY2019. The Government and the Central Bank of Sri Lanka (CBSL) utilised three types of policy responses to contain the overall impact of the COVID-19 pandemic in CY2020;

(1) border control and health and safety related measures.

(2) fiscal measures, including moratoria on repayment of loans, concessionary working capital facilities for eligible industries and financial support to low income earners and individuals affected by the pandemic.

(3) monetary and financial sector measures, including capital flow management, reduction in policy rates and the statutory reserve ratio, together with measures aimed at easing pressure on the financial services sector.

Although general price levels, as demonstrated through headline and core inflation, exhibited some volatility in CY2020, inflation remained within mid-single digit levels, owing to subdued demand for non-essential goods and services on the back of restrictions in movements and COVID-19 containment measures. Inflationary pressures were more pronounced in the food category.

The outbreak of the COVID-19 pandemic presented significant challenges on the external front. Restrictions in travel worldwide, coupled with the closure of the country's borders for tourists adversely impacted tourism earnings throughout the year. This was further exacerbated by notable outflows from both the Government securities market and the equities market through the Colombo Stock Exchange, limited foreign direct investment (FDI) and lower merchandise exports on the back of subdued global demand. However, merchandising exports demonstrated a strong rebound, as developed countries also saw recovery in consumer spend driven by accommodative policy measures in their own markets. Restrictions on imports together with lower oil prices towards the first half of the year helped reduce the trade deficit since exports remained resilient, while worker remittances noted a 5.8 per cent increase in CY2020.

Proactive interventions by Governments and central banks through accommodative monetary and fiscal policies to boost economies assisted in curtailing a deeper contraction for CY2020.

The financial account noted a net outflow primarily in lieu of higher foreign outflows, maturities of International Sovereign Bonds (ISB) and lower FDI. This was offset, to an extent, by the receipt of the foreign currency term financing facility from the China Development Bank in March 2020, and the SAARCFINANCE swap arrangement by the Reserve Bank of India in July 2020. Gross official reserves stood at USD 5.7 billion as at CY2020 [CY2019: USD 7.6 billion]. The CBSL entered into a currency swap worth the equivalent of USD 1.5 billion with the People's Bank of China in March 2021 and a loan agreement for USD 500 million with the China Development Bank in April 2021.

The exchange rate came under significant pressure during March–April 2020 and the latter part of 2020. Interventions by the CBSL on the domestic foreign exchange market through the supply of foreign currency, execution of short-term swaps with licensed commercial banks and measures implemented to restrict non-essential imports and limit foreign exchange outflows helped ease the pressure on the exchange rate. Whilst the exchange rate depreciated by 3 per cent against the USD in CY2020, prolonged shortage of foreign currency in the market resulted in the exchange rate further depreciating by 7 per cent from December 2020 to March 2021.

Government debt as at the end of the CY2020 stood at Rs.15,117 billion [CY2019: Rs.13,032 billion], which is a debt-to-GDP ratio of 101.0 per cent [CY2019: 86.8 per cent]. Of this, the total outstanding foreign debt in rupee terms decreased by 5 per cent to Rs.6,052 billion as at December 2020, while the share of foreign debt declined marginally to 40 per cent.

Given a sharp rise in the sovereign debt-to-GDP ratio, increasing challenges in lieu of external debt repayment, significant capital outflows, weakening local currency and liquidity constraints, Fitch Ratings and S&P Global ratings downgraded Sri Lanka's sovereign rating to 'CCC' from 'B- 'whilst Moody's downgraded the rating to 'Caa1' from 'B2' with a 'stable' outlook on the economy. It is pertinent to note that, the Government honoured all its debt servicing obligations in CY2020, including the USD 1 billion ISB which matured in October 2020.

EXTERNAL ENVIRONMENT

Development of economic and social infrastructure by the Government was significantly disrupted by the outbreak of the COVID-19 pandemic although construction activities and infrastructure development gradually recovered with the removal of the island-wide lockdown in May 2020. The Government commissioned a new feasibility study for the establishment of a new oil refinery in Sapugaskanda under a public-private partnership (PPP). Construction of the Central Expressway continued during the year. Addressing the long overdue need for capacity enhancement in the POC, the Government decided to proceed with the development of the East Container Terminal (ECT) and the West Container Terminal (WCT), during the year under review. The development of the ECT will be implemented by the Sri Lanka Ports Authority while a consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, executed a letter of intent (LOI) to develop and operate the WCT as a public private partnership (PPP) project. The WCT project will be constructed on a build, operate and transfer (BOT) basis for a lease period of 35 years.

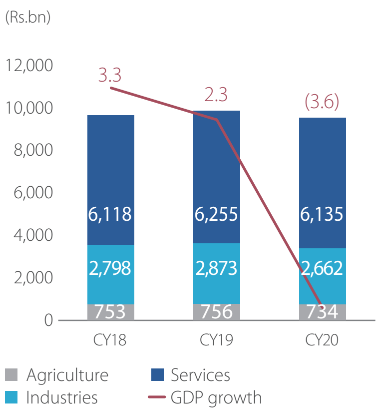
*Refer the Transportation industry group review for further details - **page 66***

*A more comprehensive discussion of the external environment relevant to the businesses is found in the Industry Group Review section - **page 66***

The ensuing sections detail the movement of the primary macroeconomic variables during the year under review and the resultant impacts on the performance of the Group's businesses.

Macroeconomic Variable	Cause	Impact to JKH

GDP Growth



Sri Lanka's economy contracted by 3.6 per cent in CY2020 [CY2019: 2.3 per cent growth].

Cause

The contraction in the overall economy was driven by a contraction across all three sectors. Whilst the decline in the Industrial and Agricultural sectors were more pronounced at negative 6.9 per cent [CY2019: Increase of 2.6 per cent] and negative 2.4 per cent [CY2019: Increase of 1.0 per cent], respectively, the Services sector recorded a decline of 1.5 per cent [CY2019: increase of 2.2 per cent].

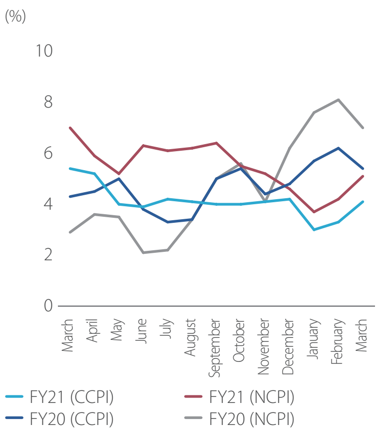
Consumption expenditure at current prices recorded moderate growth at 2.1 per cent in CY2020 [CY2019: 7.4 per cent]. Growth was hampered due to restrictions in movement and subdued consumer spending in light of income uncertainty which resulted in private consumption expenditure recording lacklustre growth of 1 per cent whilst Government consumption expenditure recorded a 9.8 per cent growth in CY2020.

Impact to JKH

Reduced activity following the outbreak of the COVID-19 pandemic impacted most of the Group businesses, particularly the Leisure industry group.

Businesses across the Group recorded a faster than expected rebound in business activity with the easing of restrictions, with near normalcy levels reached from the end of CY2020 onwards.

Inflation



Year-on-year headline inflation, based on the NCPI, was 5.1 per cent in March 2021 [March 2020: 7.0 per cent].

Cause

Inflation continued to be contained to mid-single digits in 2020/21, on the back of subdued demand for non-essential goods and services.

Year-on-year core inflation, based on NCPI, which measures the underlying inflationary pressures of the economy increased to 4.3 per cent in March 2021 from 3.2 per cent in March 2020, due to a marginal increase in non-food inflation.

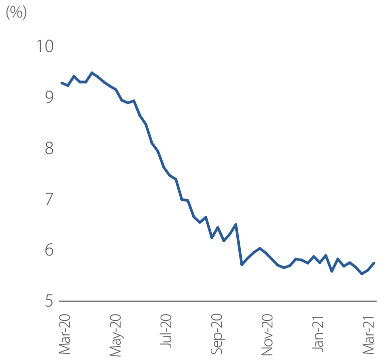
The food category also witnessed inflationary pressures in 2020/21 albeit supported by administrative price control measures introduced by the Government to maintain stable pricing.

Impact to JKH

Inflationary pressures were particularly evident in the Consumer Foods industry group, where price increases in some raw material exerted pressure on margins.

Macroeconomic Variable	Cause	Impact to JKH

Domestic Interest Rates



— Average Weighted Prime Lending Rate (weekly)

AWPLR decreased to 5.75 per cent in March 2021 from 9.29 per cent in March 2020.

The 3-month treasury bill rate was 5.05 per cent in March 2021 compared to 7.00 per cent in the corresponding period.

Cause

In response to the slowdown in economic activity on the back of the COVID-19 pandemic, the CBSL continued to follow its expansionary monetary policy adopted in the previous year. The CBSL, reduced the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 25, 50 and 100 basis points each in April, May, and July 2020 to reach 4.50 per cent and 5.50 per cent, respectively.

The CBSL also reduced the Statutory Reserve Ratio (SRR) by 200 basis points to 2.00 per cent in June 2020.

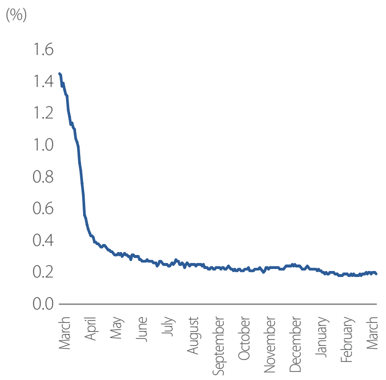
Impact to JKH

The Group recorded an overall increase in finance income (excluding exchange gains and losses), primarily driven by an increase in Group cash and cash equivalents, as discussed in detail in this section under Financial and Manufactured Capital.

Subject to liquidity requirements and other considerations, where possible, the Group made a conscious effort to invest in medium-term instruments given the downward trend exhibited by interest rates.

The Group's finance expense increased primarily on account of a significant increase in overall debt.

Global Interest Rates



— 3-month USD LIBOR

3-month USD LIBOR decreased to 0.19 per cent in March 2021, from 1.45 per cent in March 2020.

Cause

The Federal Reserve Open Market Committee (FOMC) continued to maintain the federal funds rate within a target range of 0-0.25 per cent during the year under review.

The Financial Conduct Authority, ICE Benchmark Administration, US Federal Reserve, and others confirmed the cessation of LIBOR quotes in GBP, EUR, CHF, JPY, and one-week and two-month USD LIBOR as of 31 December 2021 whilst all remaining USD rate settings, including the three-month and six-month tenors, will cease to be quoted from June 2023.

Impact to JKH

The Group's USD cash holdings increased as result of the USD 175 million facility obtained from the International Finance Corporation (IFC).

The Group entered into a hedge to mitigate the Group's exposure to rate fluctuations for almost the entirety of the USD 175 million loan facility from IFC. The partial hedge of the USD 395 million syndicated loan facility for the 'Cinnamon Life' project continued during the year under review.

Exchange Rate

— LKR/USD exchange rate

The Rupee depreciated by 5 per cent to Rs.199.83 against the USD as at 31 March 2021, compared to its closing rate of Rs.189.91 per USD as at 31 March 2020.

Cause

The LKR/USD exchange rate recorded a 3 per cent depreciation in CY2020. The exchange rate depreciated by a further 7 per cent in the fourth quarter of 2020/21. CBSL interventions such as the supply of foreign currency liquidity and execution of short-term FOREX swaps, helped ease the pressure.

Impact to JKH

The depreciation of the Rupee had a positive financial impact on the Holding Company, given its conscious strategy of maintaining a sizeable USD cash holding.

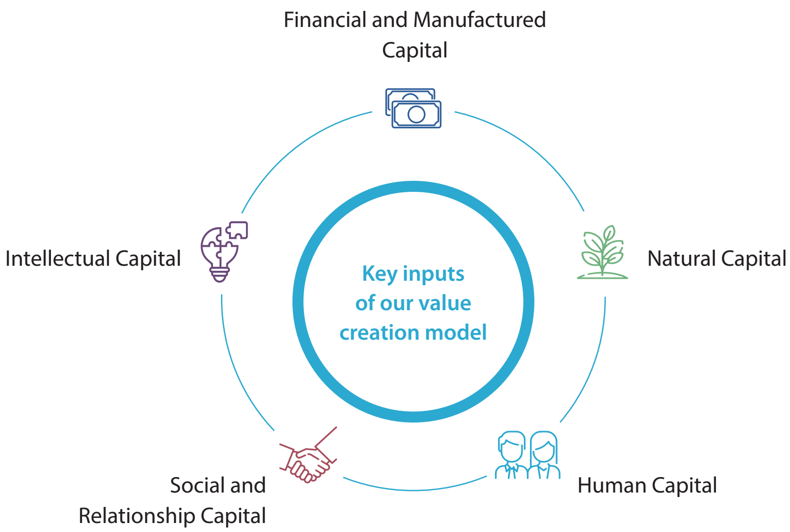
In addition to implementing foreign exchange exposure management strategies, the Group endeavours to maintain, or where relevant, create a 'natural hedge' to manage the volatility of the foreign exchange markets. Unlike previous years, the Leisure business in Sri Lanka had some impact given the closure of the country's borders for tourists in most parts of the year.

The exchange rate exposure arising from the 'Cinnamon Life' project is mitigated to an extent since the functional currency of the project company, Waterfront Properties (Private) Limited, is in USD.

CAPITAL MANAGEMENT REVIEW

The underlying essence of our business model and business framework is to ensure sustainable value creation for all stakeholders whilst ensuing a resilient and agile business.

The key inputs of our value creation model are:



The sections that follow, detail the means by which each form of Capital is utilised for the execution of the businesses' short, medium and long-term strategies towards generating sustainable value to all stakeholders concerned. The sections also detail the performance of the Group, under each form of Capital.

In addition to the core operations of each of the business units, the Group makes a conscious, strategic and collective effort to cater to wider societal needs, meaningfully enriching and empowering the lives of the surrounding communities via John Keells Foundation (JKF), its corporate social responsibility (CSR) entity. The CSR initiatives of the Group represent how the Group's values, corporate culture and operations are intrinsically intertwined and connected to social, economic, environmental and governance concerns. The Group's CSR initiatives are aligned to national priorities, Sustainable Development Goals (SDGs) and principles of the UN Global Compact to ensure a collective, targeted focus towards addressing key universal needs for holistic development, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

The Group's CSR vision 'Empowering the Nation for Tomorrow' embodies social empowerment and sustainable environmental practices which are fundamental to sustainable growth. The Group's CSR initiatives entail medium to long-term, strategic and sustainable projects within a framework of six focus areas, namely, Education, Health, Livelihood Development, Environment, Arts & Culture and Disaster Relief. Given the integrated nature of this Report, the Group's CSR initiatives are discussed under the relevant form of Capital.

Further business-specific CSR initiatives are found in the Industry Group Review section of this Report and the John Keells Foundation website ***(www.johnkeellsfoundation.com).***

FINANCIAL AND MANUFACTURED CAPITAL

With the onset of the COVID-19 pandemic, Group performance in the year under review was significantly impacted, particularly that of the Leisure industry group which did not demonstrate the same recovery momentum as witnessed in all other key businesses in the Group. Whilst the impact on overall performance was more pronounced during periods of lockdown, business momentum has since recovered significantly across the quarters, with Group businesses, barring Leisure, recording an encouraging recovery by the end of the calendar year 2020. In this light, whilst the ensuing discussion provides a holistic view on the Group's performance and key drivers during the year, where relevant, insight will be provided on the Group's performance excluding the distortionary impact of the Leisure businesses to better depict the underlying performance of the Group.

Revenue

Group revenue recorded a 8 per cent decrease to Rs.127.68 billion during the year under review [2019/20: Rs.138.96 billion]. Whilst challenges on the back of the COVID-19 pandemic exerted pressure on revenue growth across the Group, the decrease primarily stemmed from the Leisure industry group given global travel restrictions and the closure of borders in both Sri Lanka and the Maldives for most parts of the year. Group revenue, excluding the Leisure industry group increased marginally to Rs.122.32 billion against the previous year [2019/20: Rs.121.36 billion].

Revenue emanating from domestic sources was Rs.110.07 billion [2019/20: Rs.98.90 billion].

Whilst the impact on overall performance was more pronounced during periods of lockdown, business momentum has since recovered significantly across the quarters, with Group businesses, barring Leisure, recording an encouraging recovery by the end of CY2020.

Group revenue, inclusive of equity accounted investees, decreased by 8 per cent to Rs.145.44 billion [2019/20: Rs.157.83 billion]. Excluding the Leisure industry group, the corresponding figure stood at Rs.140.07 billion [2019/20: Rs.140.08 billion].

Revenue from equity accounted investees at Rs.17.77 billion, was a marginal decline against the Rs.18.88 billion recorded in 2019/20. Whilst revenue recognition of the 'Tri-Zen' residential project and improved performance at Fairfirst Insurance Limited positively contributed to revenue, this was offset through a notable reduction in revenue at Nations Trust Bank (NTB) and South Asia Gateway Terminals (SAGT). Revenue at NTB was impacted by the slowdown in demand for credit, the sharp reduction in interest rates and the impact of the moratorium loan portfolio whilst SAGT was impacted by lower volumes due to the COVID-19 pandemic, mainly in the first quarter, as well as a shift in the throughput mix given import restrictions in the country.

GROUP REVENUE

Rs.**127.68**bn — 8% (decrease)

2019/20: Rs.138.96 bn

GROUP REVENUE EXCL. LEISURE

Rs.**122.32**bn — 1% (increase)

2019/20: Rs.121.36 bn

EBITDA

Rs.**15.61**bn — 23% (decrease)

2019/20: Rs.20.19 bn

EBITDA EXCL. LEISURE

Rs.**19.18**bn — 7% (increase)

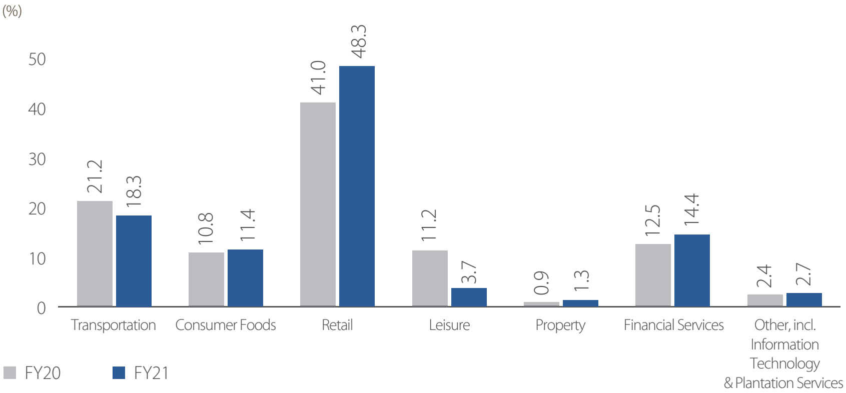
2019/20: Rs.17.86 bn

The revenue breakdown across industry groups inclusive of share of associate revenue, is as follows:

Revenue incl. Equity Accounted Investees (Rs.million)	2020/21	2019/20	%
Transportation	26,584	33,439	(21)
Consumer Foods	16,510	17,004	(3)
Retail	70,229	64,762	8
Leisure	5,374	17,754	(70)
Property	1,910	1,395	37
Financial Services	20,890	19,675	6
Other, incl. Information Technology and Plantation Services	3,949	3,803	4
Group	145,446	157,833	(8)
Group, excl. Leisure	140,071	140,079	(0)

*For a industry group-wise analysis of performance, refer the Industry Group Reviews - **page 66***

Composition of Revenue incl. Equity Accounted Investees



Earnings Before Interest Expense, Tax, Depreciation and Amortisation

Group EBITDA decreased by 23 per cent to Rs.15.61 billion during the year under review [2019/20: Rs.20.19 billion] mainly on account of the Leisure businesses. Excluding the Leisure industry group, Group EBITDA increased by 7 per cent to Rs.19.18 billion [2019/20: Rs.17.86 billion] demonstrating the strong recovery of the businesses and the generation of cash profits by the Group.

Note that EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes the impact of exchange gains and losses on its foreign currency denominated debt and cash, to demonstrate the underlying cash operational performance of businesses.

Group EBITDA Reconciliation (Rs.million)	2020/21	2019/20	%
Group revenue excl. equity accounted investees	127,676	138,956	(8)
(-) Cost of sales	108,747	112,874	(4)
(+) Other operating income	2,627	2,242	17
(-) Selling and distribution expenses	4,761	5,519	(14)
(-) Administration expenses	12,928	13,143	(1)
(-) Other operating expenses	1,314	2,873	(57)
(+) Finance income	10,689	9,357	14
(+/-) Change in insurance contract liabilities	(7,032)	(5,617)	25
(+/-) Change in fair value of investment property	(253)	573	(144)
(+) Share of results of equity accounted investees	4,159	4,466	(7)
(+) Depreciation and amortisation	7,986	6,955	15
(-) Exchange gain	1,910	1,986	(4)
	16,191	20,537	(21)
(-) Adjustments relating to policyholders at UA*	582	349	66
Group EBITDA	15,609	20,188	(23)

** Adjustments to arrive at the EBITDA solely attributable to the shareholders of the Group.*

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Composition of EBITDA
(%)

In terms of the composition of EBITDA, the Retail industry group was the primary contributor with a 35 per cent contribution, followed by Financial Services and Transportation with a contribution of 23 per cent each.

Fair Value Gains/Losses on Investment Property

Fair value gains/losses on investment property (IP) were recorded at a loss of Rs.253 million in 2020/21 [2019/20: gain of Rs.573 million], comprising of a loss of Rs.291 million at Property while Other, including Information Technology and Plantation Services, Leisure and Consumer Foods industry groups recorded marginal gains of Rs.18 million, Rs.16 million and Rs.3.9 million respectively. The fair value loss recorded at Property is mainly attributable to 'Crescat', given the closure of the property for refurbishment. Note that fair value gains and losses on IP are non-cash items.

Recurring EBITDA

The recurring performance analysis entails the removal of one-off impacts in order to demonstrate the performance of the core operations of the businesses. To this end, fair value gains and losses on investment property (IP) have been excluded for all businesses, with the exception of Property. As the Group's land banking strategy is aimed at monetising such assets in the medium-term, IP gains are reflective of the core operations of the Property industry group. As such, only IP gains pertaining to industry groups other than Property, have been adjusted at a Group level.

Recurring EBITDA for the year under review decreased by 22 per cent to Rs.15.57 billion, compared to Rs.20.07 billion recorded in the previous year. Excluding the Leisure industry group, recurring EBITDA increased by 8 per cent to Rs.19.16 billion [2019/20: Rs.17.76 billion]. The recurring EBITDA breakdown for each of the industry groups are given below.

Recurring EBITDA (Rs.million)	2020/21	2019/20	%
Transportation	3,610	4,375	(17)
Consumer Foods	3,318	3,366	(1)
Retail	5,523	5,108	8
Leisure	(3,588)	2,306	(256)
Property	(17)	641	(103)
Financial Services	3,645	2,988	22
Other, incl. Information Technology and Plantation Services	3,082	1,286	140
Group	15,572	20,069	(22)
Group, excl. Leisure	19,160	17,763	8

The EBITDA of the Retail, Financial Services and Other, including Information Technology and Plantation Services industry groups recorded an improvement.

In the current year, the adjustments on account of one-off impacts are not material and therefore the variance between the EBITDA and recurring EBITDA for the Group and industry groups is not significant. Whilst the EBITDA of the Retail, Financial Services and Other, including Information Technology and Plantation Services industry groups recorded an improvement, EBITDA was impacted by the below:

- Leisure – due to the impact of the COVID-19 pandemic on global tourism and border closures in Sri Lanka and the Maldives.
- Transportation – contraction in volume in the Group's Ports and Shipping business, SAGT, mainly in the first quarter, and a change in the throughput mix mainly due to disruptions in global trade, particularly in India and China, as a result of the COVID-19 pandemic. The business also became liable for income tax from September 2019 onwards.
- Consumer Foods – muted volume growth in the Frozen Confectionery business and a contraction in volumes in the Beverage business due to supply chain disruptions caused by the lockdowns and dampened consumer sentiment on the back of the COVID-19 pandemic, mainly in the first and third quarters of the financial year.
- Property – subdued performance of the mall operations due to the COVID-19 pandemic and impacts on fair value gains/ losses on IP.

*For a detailed industry group-wise analysis, refer the Industry Group Reviews - **page 66***

Depreciation and Amortisation

The depreciation and amortisation expense for the year stood at Rs.7.99 billion, an increase of 15 per cent against the depreciation for 2019/20 at Rs.6.95 billion. The depreciation and amortisation expense also includes the amortisation of lease liabilities as per SLFRS 16 - Leases.

The increase in the depreciation and amortisation expense primarily stems from the:

- Supermarket business, driven by an increase in assets on account of the roll out of 15 new outlets during the year.
- Maldivian Resorts segment, stemming from an increase in lease amortisation from the new property 'Cinnamon Velifushi Maldives' and 'Cinnamon Hakuraa Huraa Maldives', given full year operation of the resorts as opposed to the previous year.

INDUSTRY GROUP-WISE QUARTERLY PERFORMANCE

Given the unprecedented nature of the pandemic and the resultant volatility of business performance during the year, the following provides an insight to the performance of the industry groups across the quarters and demonstrates the recovery trajectory witnessed in Group businesses.

- The Group businesses were significantly impacted in Q1 due to the lockdown measures implemented to mitigate the spread of the COVID-19 virus from March 2020 onwards.
- Post the easing of restrictions from mid-May 2020 onwards, Group businesses, with the exception of Leisure, displayed a faster than anticipated recovery momentum in Q2.
- Whilst the second wave of the COVID-19 outbreak in early October 2020 caused a slowdown in business activity and dampened consumer sentiment, the subsequent gradual easing of restrictions enabled the businesses across the Group to recover to near normal levels by the end of Q3.
- The recovery momentum continued during Q4, with Group businesses, with the exception of Leisure, demonstrating a strong performance, particularly on the back of improved consumer sentiment.

Group Revenue 2020/21	Rs.million				YoY %				Total (Rs.million)		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020/21	2019/20	YoY %
Transportation	2,882	3,798	5,206	5,533	(45)	(31)	(17)	(20)	17,418	23,949	(27)
Consumer Foods	2,883	4,786	3,621	5,220	(35)	14	(10)	20	16,510	17,004	(3)
Retail	12,292	17,409	19,832	20,696	(20)	9	14	30	70,229	64,762	8
Leisure	153	1,166	1,367	2,670	(95)	(69)	(72)	(56)	5,356	17,599	(70)
Property	68	111	160	274	(55)	(23)	(0)	101	612	590	4
Financial Services	2,296	3,787	4,121	3,397	(7)	34	20	33	13,601	11,249	21
Other, incl. Information Technology and Plantation Services	935	1,063	926	1,026	3	3	(8)	19	3,949	3,803	4
Group	21,508	32,120	35,231	38,816	(32)	(4)	(5)	5	127,676	138,956	(8)
Group, excl. Leisure	21,355	30,954	33,865	36,146	(25)	4	5	17	122,319	121,357	1

Group EBITDA 2020/21	Rs.million				YoY %				Total (Rs.million)		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020/21	2019/20	YoY %
Transportation	395	929	930	1,356	(63)	(16)	(28)	47	3,610	4,375	(17)
Consumer Foods	487	953	605	1,276	(42)	30	(16)	15	3,321	3,408	(3)
Retail	502	1,373	1,696	1,952	(52)	34	8	32	5,523	5,108	8
Leisure	(1,461)	(1,187)	(1,008)	84	(335)	(1,163)	(258)	(96)	(3,572)	2,327	(253)
Property	(29)	(12)	14	10	(162)	(128)	(57)	(98)	(17)	641	(103)
Financial Services	537	652	1,300	1,156	23	16	12	39	3,645	2,988	22
Other, incl. Information Technology and Plantation Services	371	608	748	1,373	(24)	39	242	606	3,100	1,340	131
Group	802	3,316	4,285	7,206	(78)	(18)	(24)	3	15,609	20,188	(23)
Group, excl. Leisure	2,263	4,503	5,293	7,123	(42)	15	6	41	19,182	17,860	7

For a detailed industry group-wise analysis refer the Industry Group Reviews - ***page 66***

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Finance Income

Group finance income stood at Rs.10.69 billion during the year under review, an increase of 14 per cent [2019/20: Rs.9.36 billion], the composition of which is given in the table below.

Finance Income (Rs.million)	2020/21	2019/20
Interest income from life insurance policy holder funds at UA	5,020	4,445
Interest income of Group, excluding UA	3,596	2,600
Other finance income	2,073	2,313
Total	10,689	9,357

- Interest income associated with UA of Rs.5.02 billion [2019/20: Rs.4.45 billion], net of related costs, is classified under operating segment results on the basis that the interest income from life insurance funds is considered operational income.
- The interest income of the Group, excluding UA, increased to Rs.3.60 billion [2019/20: Rs.2.60 billion], owing to higher cash and cash equivalents at the Holding Company on account of the drawdown of the USD 175 million term loan facility from IFC. While this reflects an increase in interest income on a 'gross' basis, the related interest expense will be recorded under finance expense and therefore, not have a material 'net' impact.
- The decrease in other finance income to Rs.2.07 billion is primarily attributable to the decrease in the exchange gain on the Company's foreign currency denominated cash holdings to Rs.1.64 billion as compared against the previous year [2019/20: Rs.1.96 billion].

Further details on finance income can be found in the Notes to the Financial Statements section of this Report - page 234

Finance Expense

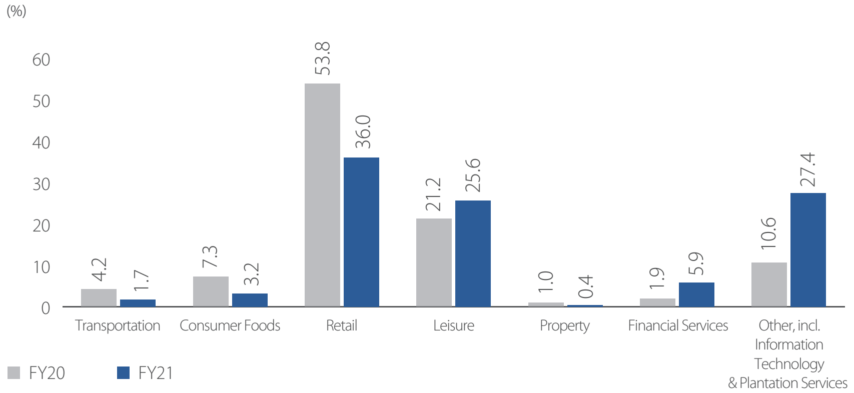
The finance expense, which includes interest expenses of the Group, increased by 48 per cent to Rs.4.67 billion, compared to Rs.3.17 billion recorded in 2019/20. The increase in total debt level of the Group including lease liabilities, by Rs.72.00 billion to Rs.172.90 billion [2019/20: Rs.100.91 billion] primarily contributed to the increase in finance expenses.

The key reasons that contributed to the increase in finance expense are:

- Supermarket business – due to funding obtained for the roll out of new outlets.
- Holding Company – on account of obtaining a long-term loan facility of USD 175 million from IFC.
- Leisure industry group – given the securing of multiple facilities in order to better navigate through the challenges of the COVID-19 pandemic.

In terms of composition, the largest contributor to finance expense was the Retail industry group, accounting for 36 per cent of total finance expense, followed by Other, including Information Technology and Plantation Services and Leisure at 27 per cent and 26 per cent, respectively.

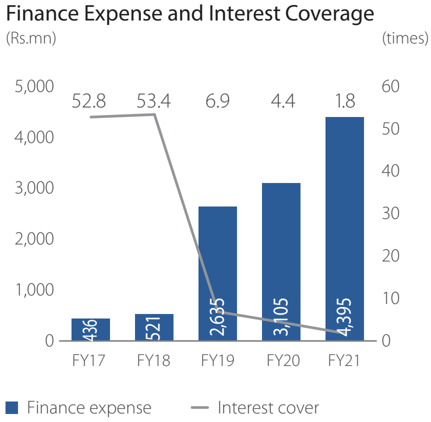
Composition of Finance Expense



Finance expense incurred under the syndicated project development facility of 'Cinnamon Life' is capitalised as work-in-progress, in accordance with the Group accounting policy, and in keeping with accounting standards, under other non-current assets.

The interest cover of the Group, excluding unrealised losses on UA's equity portfolio, stood at 1.8 times in comparison to 4.4 times in 2019/20, primarily due to the negative impact on profits due to the pandemic. The movement in the interest coverage stems primarily from the 41 per cent decline in EBIT and a 48 per cent increase in finance expense, as outlined in the previous section.

Finance Expense and Interest Coverage



Finance expense incurred under the syndicated project development facility of 'Cinnamon Life' is capitalised as work-in-progress, in accordance with the Group accounting policy, and in keeping with accounting standards, under other non-current assets.

Taxation

The Group tax expense decreased by 44 per cent to Rs.1.49 billion during the year under review [2019/20: Rs.2.66 billion]. The Group tax expense primarily comprises of a current tax charge of Rs.2.17 billion and a deferred tax reversal of Rs.793 million.

The effective tax rate (ETR) on Group profits increased to 27 per cent [2019/20: 21 per cent].

- The decrease in the tax expense is primarily attributable to the subdued performance of Group businesses, particularly the Leisure industry group.
- Although PBT of the Life Insurance business remained steady against the previous year, the business recorded a higher tax expense in 2020/21 which impacted profitability. This was driven by:
  - An increase in the tax expense as a result of an expiry of claimable periods.
  - An impairment on notional tax credits of the business.

Other, including Information Technology and Plantation Services, Financial Services and Retail were the highest contributors to the Group tax expense with Rs.935 million, Rs.863 million and Rs.249 million respectively.

For further details on tax impacts, refer the Notes to the Financial Statements section of this Report - page 237

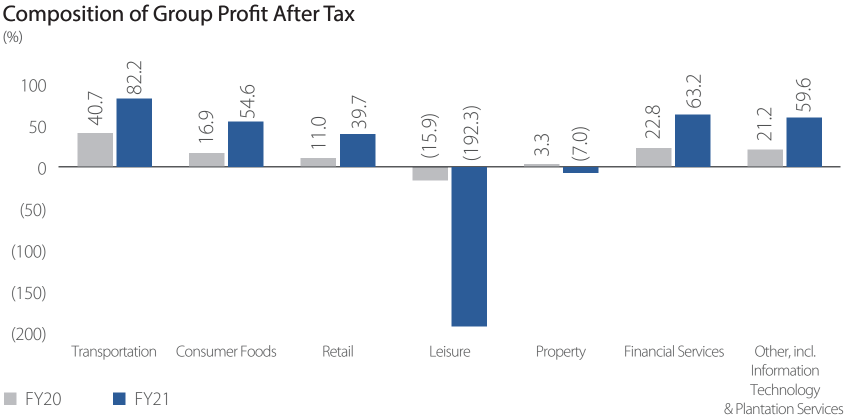
Profit After Tax

The Group profit after taxation (PAT) stood at Rs.3.95 billion for the year under review, a decrease of 59 per cent [2019/20: Rs.9.74 billion]. Excluding the Leisure industry group, Group PAT was Rs.11.55 billion [2019/20: Rs.11.29 billion], an increase of 2 per cent against the previous year.

As indicated in the graph below, the highest contributors to Group PAT were the Transportation, Financial Services, Other, including Information Technology and Plantation Services and Consumer Foods industry groups, with contributions of Rs.3.25 billion [2019/20: Rs.3.96 billion], Rs.2.50 billion [2019/20: Rs.2.22 billion], Rs.2.36 billion [2019/20: Rs.2.06 billion] and Rs.2.16 billion [2019/20: Rs.1.64 billion], respectively.

Excluding fair value gains/losses on investment property, as discussed previously, the recurring Group PAT decreased by 59 per cent to Rs.3.91 billion [2019/20: Rs.9.62 billion].

Composition of Group Profit After Tax



The breakdown of Group PAT, between PAT attributable to equity holders and non-controlling interest (NI) are as follows:

Rs.million	2020/21	2019/20	%
PAT attributable to equity holders	4,772	9,414	(49)
Non-controlling interest (NCI)	(821)	327	(351)
Group PAT	3,951	9,741	(59)

PAT

Rs.**3.95**bn

2019/20: Rs.9.74 bn

59%

PAT EXCL. LEISURE

Rs.**11.55**bn

2019/20: Rs.11.29 bn

2%

Non-Controlling Interests (NCI)

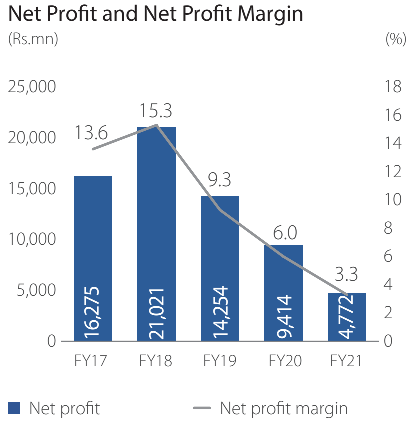
PAT attributable to shareholders with NCI stood at a loss of Rs.821 million in 2020/21 primarily on account of lower profits in the Leisure businesses, in which the Group owns effective stakes of ~80 per cent. A decline in the profitability of the Group's 90 per cent owned insurance business, UA, also contributed to the drop in PAT attributable to NCI.

However, the impact was partially offset by profitability at Ceylon Cold Stores PLC, which also includes the Supermarket business.

PAT Attributable to Equity Holders of the Parent (Net Profit)

PAT attributable to equity holders of the Parent decreased by 49 per cent to Rs.4.77 billion [2019/20: 9.41 billion]. The net profit margin of the Group decreased to 3.3 per cent from 6.0 per cent in the previous year. The recurring net profit attributable to equity holders decreased by 49 per cent to Rs.4.74 billion [2019/20: Rs.9.33 billion], whilst the recurring net profit margin of the Group decreased to 3.3 per cent, against the 5.9 per cent in 2019/20.

Net Profit and Net Profit Margin



CAPITAL MANAGEMENT REVIEW

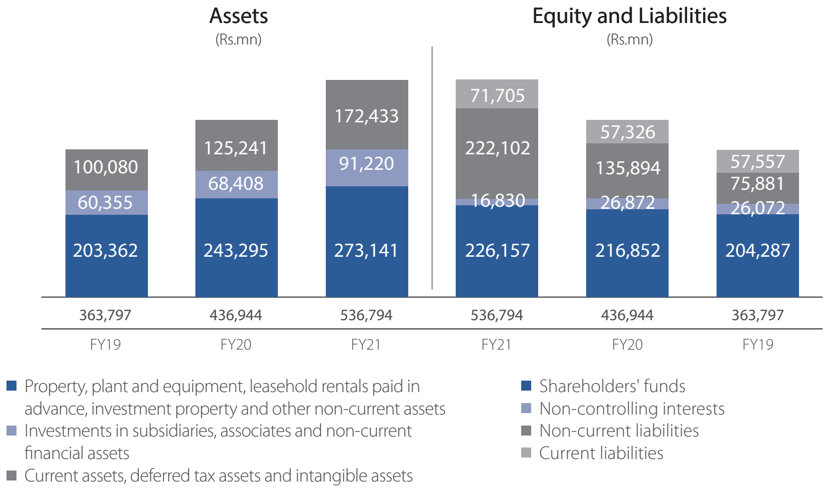
FINANCIAL AND MANUFACTURED CAPITAL

PERFORMANCE OF THE HOLDING COMPANY

Rs.million	2020/21	2019/20
Revenue	1,637	1,462
Dividend income	8,346	6,368
Finance income	4,617	3,822
Finance expenses	(1,245)	(237)
Profit before tax	11,367	9,254
Profit after tax	10,566	8,640

- The increase in revenue is primarily on account of higher commercial fees for the data analytics services rendered by OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group.
- Dividend income received from the businesses of the Group recorded a 31 per cent increase, particularly driven by the Ports and Shipping sector. Whilst dividends payable in March 2020 were deferred at the time given the unprecedented nature of the COVID-19 pandemic to ensure better liquidity positions for the businesses, this was subsequently up-streamed in 2020/21 upon recovery of business performance.
- Finance income, which comprises of both interest income and exchange gains on the Group's USD denominated net cash balance, recorded an increase of 21 per cent, primarily due to an increase in the interest income by 62 per cent to Rs.2.96 billion compared to Rs.1.83 billion recorded in the previous year. This was mainly on account of an increase in cash and cash equivalents in lieu of the USD 175 million long-term loan facility from IFC.
- Finance expense, which comprises of both interest expense and exchange losses on USD denominated net borrowings, increased by 425 per cent owing to an increase in interest expense, due to the aforementioned loan facility from IFC and other short-term facilities and overdrafts.

Financial Position



INSIGHTS

USD 175 million long-term financing arrangement with the International Finance Corporation (IFC)

In June 2020, the Holding Company entered into a long-term financing agreement with IFC for USD 175 million to support funding of the Holding Company's investment pipeline. This facility is IFC's largest investment to-date in Sri Lanka.

The key features of the financing facility are as follows:

- Rate basis: 6-month LIBOR plus margin of 380 basis points.
- Step-down pricing mechanism: A step-down pricing mechanism to a margin of 355 basis points by March 2024.
- Tenor: Ten-year tenor till June 2030.
- Grace period: Four years with capital repayments commencing in December 2024.
- Proceeds will primarily be utilised to fund the Group's expansion of its Supermarket business, recent investments in hotels in the Maldives and Sri Lanka and for general corporate investments.

This facility is envisaged to afford the Group the flexibility and agility to fund its investments in an optimal manner whilst providing additional support to the Group's liquidity position considering the extended tenor and grace period before capital repayments commence.

Whilst the entirety of the loan was drawn down during the year under review resulting in a steep increase in debt at the Holding Company, the loan did not impact net debt since the cash balance was also retained at a Holding Company level. The Company also entered into a hedge to fix the interest rate, covering USD 158 million of the loan, thereby eliminating a majority of the facility's exposure to interest rate fluctuations. At present, there is no foreign exchange translation risk on the loan since the cash is retained in foreign currency at the Holding Company.

Group Assets

Group's total assets as at 31 March 2021 stood at Rs.536.79 billion, an increase of Rs.99.85 billion [2019/20: Rs.436.94 billion], mainly on account of an increase in cash and short-term investments at the Holding Company and an increase in non-current financial assets at UA.

Cash in hand and at bank, short-term investments and deposits with a maturity between 1 and 3 years held at the Holding Company increased to Rs.105.43 billion [2019/20: Rs.51.79 billion] on account of proceeds from the USD 175 million long-term loan facility from IFC at the Holding Company.

Working Capital/Liquidity

Rs.million	2020/21	2019/20	%
Current assets	166,491	121,050	38
Current liabilities	71,705	57,326	25
Working capital	94,786	63,724	49

Current Assets: The increase in current assets is primarily driven by an increase in cash and short-term investments.

Current Liabilities: Current liabilities recorded an increase of 25 per cent, primarily owing to an increase in trade and other payables at the Office Automation business due to current import regulations which stipulate the need to obtain 180 days of credit and deferred payment terms on a cash-backed basis, which was partially offset by a decrease in bank overdrafts in the Supermarket business by Rs.4.22 billion due to a re-profiling of the short and long-term debt portfolio.

INSIGHTS – LOOKING FORWARD

As planned at the outset, the back-ended final payment of the syndicated loan of 'Cinnamon Life' falls due in 2022/23 and the Group is already in discussion to refinance a component of this loan as per its funding strategy, whilst utilising the proceeds from the sale of apartments and cash reserves to settle part of the loan. Given this, a notable increase in current liabilities may be witnessed from the third quarter of 2021/22 until such time the new financing arrangement is reflected in the financial statements.

ENSURING FINANCIAL RESILIENCE AMIDST COVID-19

Given the unprecedented challenges and operating conditions arising from the COVID-19 pandemic, in March 2020, Group businesses evaluated the resilience of the businesses under multiple scenarios, including extreme operating conditions. The businesses continued to proactively evaluate their operational performance and financial health during the year under review with many measures implemented from March 2020 onwards.

- Adopted weekly dashboards, which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash and collections targets.
- Established 'cash war rooms' and 'spend control towers' to critically review each spend item, prioritise payments, and impose clear reporting metrics. Although such initiatives were institutionalised primarily in response to the COVID-19 pandemic, the Group continued to implement select measures to ensure an agile, efficient and productive business model.
- A freeze on all non-essential capital expenditure.
- Enforced stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent across the Group. Full remuneration was reinstated from July 2020 onwards, in tandem with the recovery in performance.
- Where relevant, Group companies applied for relief measures extended by the Government and Central Bank which eased the financial position further.

Proactive planning and execution of the aforementioned measures enabled the business in better navigating through these unprecedented challenges.

*Refer Outlook for a detailed discussion - **page 134***

Cash Flow

Cash and cash equivalents in the Statement of Cash Flows comprise of cash and short-term investments with a maturity of three months or less, and net of outstanding bank overdrafts. On this basis, as at 31 March 2021, cash and cash equivalents increased by Rs.24.31 billion, to Rs.33.07 billion.

- Net cash flow from operating activities reflected an inflow of Rs.13.82 billion for 2020/21, primarily on account of an increase in trade and other payables, other non-current liabilities and interest income.
- Net cash flow from investment activities reflected an outflow of Rs.44.94 billion, primarily due to an increase in short-term investments with a maturity of more than three months, at the Holding Company.
- Net cash from financing activities was an inflow of Rs.55.43 billion, primarily on account of borrowings at the Holding Company and at 'Cinnamon Life'.

Leverage and Capital Structure

The ensuing details the sources by which the total assets of the Group as at the period end, were funded.

Total assets of Rs.536.79 billion as at 31 March 2021

Funding Channels

Shareholder funds
42%

Non-controlling interest
3%

Long-term funding/creditors
41%

Short-term funding/creditors
13%

TOTAL ASSETS

Rs.**536.79**bn

2019/20: Rs.436.94 bn

23%

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Group Debt/Net Debt

Group debt (excluding lease liabilities) amounted to Rs.147.20 billion compared to Rs.79.61 billion in 2019/20, while net debt increased to Rs.48.71 billion compared to the Rs.34.07 billion in 2019/20.

Although Group debt increased significantly to Rs.147.18 billion, the net debt position of the Group was Rs.77.16 billion due to the significant cash balances held at the Holding Company level. This is largely due to the impact on Group debt due to the drawdown of the IFC loan although there is no impact on net debt since the cash balance is retained at the Holding Company, as outlined previously.

The increases in Group debt were primarily from Other, including Information Technology and Plantation Services, Property and Leisure industry groups with additions of Rs.44.86 billion, Rs.17.54 billion and Rs.4.71 billion, respectively. The increase in Group debt, excluding leases, are mainly attributable to the following:

- Holding Company - Debt drawdown of Rupee and Dollar facilities, in line with the planned funding strategy of the Group. This includes the full drawdown of the USD 175 million long-term loan facility from IFC.
- Funding of the ongoing construction of 'Cinnamon Life', resulting in an incremental debt drawdown of Rs.17.61 billion during the year.
- Incremental borrowings of Rs.3.11 billion at the Supermarket business, to fund the expansion of outlets and the proposed distribution centre.

Both Group debt and net debt excludes lease liabilities recorded from the adoption of SLFRS 16 – Leases. Lease liabilities as at 31 March 2021 stood at Rs.25.71 billion, a 21 per cent increase against last year [2019/20: Rs.21.29 billion].

Where businesses have foreign currency denominated income, borrowings in foreign currency are obtained to take advantage of the comparatively lower cost of foreign currency debt. This strategy has been practiced in the Leisure industry group, in particular, where foreign currency receipts are regularly monitored to proactively evaluate the borrowing capacity of the business. Currently, ~Rs.104.40 billion of overall debt is denominated in foreign currency, which translates to ~71 per cent of total debt [2019/20: 65 per cent]. It is pertinent to note that the exchange rate exposure arising from the 'Cinnamon Life' project is mitigated to an extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is USD. Similarly, at present, there is no foreign exchange translation risk on the IFC loan since the cash is retained in foreign currency at the Holding Company.

Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2021 stood at Rs.105.43 billion against Rs.51.79 billion in 2019/20; the increase is on account of the reasons outlined previously under the 'Cash Flow' section. Group cash and cash equivalents comprise of Rs.19.43 billion as cash in hand and at bank, Rs.69.26 billion under short-term investments, and Rs.16.73 billion in deposits with a maturity between 1 and 3 years held at the Holding Company. It is pertinent to note that of this, the life fund at UA amounts to Rs.3.47 billion whilst the restricted regulatory fund at UA amounts to Rs.3.38 billion.

In terms of the composition of the liquid assets of the Group, Other, including Information Technology and Plantation Services accounted for 67 per cent of cash and cash equivalents, of which a majority of assets are in the Holding Company, followed by the Financial Services industry group.

		2020/21	2019/20
Current ratio	(times)	2.3	2.1
Quick ratio	(times)	1.6	1.2
Working capital	(Rs.million)	94,786	63,724
Asset turnover	(times)	0.3	0.4
Capital employed	(Rs.million)	415,891	344,631
Total debt*	(Rs.million)	147,197	79,615
Net debt (cash)*	(Rs.million)	48,709	34,075
Debt / equity ratio*	(%)	60.6	32.7
Net debt (cash) to equity ratio*	(%)	20.0	14.0
Long-term debt to total debt*	(%)	80.8	64.0
Debt / total assets*	(%)	27.4	18.2
Liabilities to tangible net worth	(times)	1.24	0.81
Debt / EBITDA*	(times)	9.4	3.9
Net debt / EBITDA*	(times)	3.1	1.7

**Excludes lease liabilities.*

Key indicators such as the net debt/equity ratio indicate the Group's ability to fund its investment pipeline, as and when required. While the debt and net debt/EBITDA ratios have deteriorated, it should be noted this is largely due to the impact on EBITDA due to the pandemic and this should revert to normalised levels as the recovery momentum on earnings continue.

It should be noted that a portion of the cash reserves of the Group is earmarked for equity commitments of the 'Cinnamon Life' project, including re-financing of the loan, and other investments such as the West Container Terminal project. The Group is confident of its ability to fund projects, if feasible, and as required, thereby optimising equity returns in the long run. Although the current liquidity position of the Group creates space to undertake current and future investment commitments, the Group will continue to take proactive steps with a view of maintaining a strong balance sheet, particularly considering the volatile macroeconomic environment due to the ongoing pandemic.

Statement of Changes in Equity

Total equity of the Group as at 31 March 2021 stood at Rs.242.99 billion, [2019/20: Rs.243.72 billion]. The decrease was primarily in lieu of a decrease in NCI during the year on account of an increase in the Group stake at Vauxhall Land Developments Private Limited, although partially offset by a profit after tax of Rs.3.95 billion and other comprehensive income of Rs.6.34 billion.

*For a discussion on the ROCE and ROE of the Group, refer Strategy, Resource Allocation and Portfolio Management - **page 149***

NATURAL CAPITAL

The Group strongly believes that a sound Natural Capital management strategy is a vital component of long-term sustainable value creation. As such, the Group has in place a comprehensive environmental management system which focuses on energy conservation, carbon footprint reduction, optimisation of water usage, efficient waste management and conservation of biodiversity, as discussed in detail in the ensuing sections.

Priority SDGs under Natural Capital

Related SDG focus areas the Group is working towards:	Key highlights for the year:
7. AFFORDABLE AND CLEAN ENERGY Continuing to increase the amount of renewable energy utilised and generated in the Group's energy mix.	**19%** of the Group's energy is from renewable sources.
12. RESPONSIBLE CONSUMPTION AND PRODUCTION Conserving energy by adopting lean energy management practices and efficient alternatives. Optimising water usage by implementing process efficiency improvements and awareness creation. Promoting reuse and recycling of waste alongside responsible waste disposal.	**1,113 GJ** of energy saved through energy efficiency and other initiatives at businesses. Reduction of **6,269 MT** in carbon footprint through energy saving initiatives.
13. CLIMATE ACTION Monitoring and managing the Group's carbon footprint and adopting alternatives to fossil fuel where possible.	**28%** of treated water is recycled and reused to minimise freshwater extraction.
14. LIFE BELOW WATER Conservation of biodiversity and preservation of marine habitats.	John Keells Foundation in collaboration with Ruk Rakaganno will embark on a four year project to reforest 20 hectares of degraded land in the Sinharaja forest.
15. LIFE ON LAND Conservation of biodiversity and sustainable use of natural resources.	

Note: Lockdowns, lower levels of operational activity in select sectors and remote working arrangements on the back of the COVID-19 pandemic, distort reporting metrics for 2020/21 in varying degrees. Readers are advised to read the quantified numbers in conjunction with disclosures alongside, as applicable.

Three-year performance indicators:

	2020/21	2019/20*	2018/19
Energy consumption: non-renewable sources (GJ) 1	216,253	298,146	367,016
Energy consumption: non-renewable sources (GJ) per Rs.million of revenue	1.70	2.13	2.68
Energy consumption: renewable sources (GJ) 2	132,706	119,387	105,952
Energy consumption: renewable sources (GJ) per Rs.million of revenue	1.04	0.85	0.77
Purchased energy: national grid 3	349,195	393,893	376,013
Purchased energy: national grid (GJ) per Rs.million of revenue	2.75	2.82	2.75
Total energy consumption (1) + (2) + (3)	698,154	811,426	848,931
Direct greenhouse gas emissions - Scope 1 (MT)	15,894	22,244	27,510
Indirect greenhouse gas emissions - Scope 2 (MT)	66,114	74,577	71,192
Total carbon footprint (MT)	82,009	96,821	98,695
Total carbon footprint (MT) per Rs.million of revenue	0.64	0.69	0.72
Greenhouse gas emissions from combustion of biomass	10,535	9,792	10,107
Water withdrawal (m^3)	1,677,672	1,896,084	1,798,465
Water withdrawal (m^3) per Rs.million of revenue	13.19	13.57	13.14
Water discharge (m^3)	1,091,384	1,155,698	1,137,386
Volume of hazardous waste generated (MT)	279	298	382
Volume of non-hazardous waste generated (MT)	6,484	7,462	7,925
Non-hazardous waste recycled/reused by Group companies and through 3rd party contractors (%)	22	37	46
Significant environmental fines	Nil	Nil	Nil

** 2019/20 has been restated*

2025 SUSTAINABILITY GOALS

As noted in the JKH Annual Report 2019/20, the Group has further strengthened its commitments to its Natural Capital management strategy by establishing a new set of sustainability goals, in furtherance of the previous 2020 Sustainability Goals, to be achieved by 2025. These new goals, which are established at either business unit or sector level, have been extended to include contemporary environmental issues concerning renewable energy and plastic reduction in additions to energy and water related initiatives. This exercise, particularly focused on sectors which account for the highest level of natural resource usage, was expanded to include new companies this year.

Energy and Carbon Footprint

During the year under review, the total energy consumption of the Group was 698,154 GJ [2019/20: 811,426 GJ] which was derived from non-renewable sources such as diesel, petrol, furnace oil, LPG and jet fuel, renewable energy sources and the national grid. The notable reduction in energy consumption during the year under review was primarily driven by lower levels of operational activity, particularly in the Leisure and Transportation industry groups due to the impact of COVID-19.

The Group has in place a comprehensive environmental management system which focuses on energy conservation, carbon footprint reduction, optimisation of water usage, efficient waste management and conservation of biodiversity.

CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

Notwithstanding the impacts from the COVID-19 pandemic, the Group continued to place emphasis on replacing its national grid and non-renewable energy with renewable energy usage, thereby reducing the impact on the Group's carbon footprint. To this end, significant investment in solar energy was made by the Supermarket business, with 10 outlets installing solar panels during the year, bringing the total number of solar powered outlets to 66. The Consumer Foods industry group also undertook investments in solar energy at its factories.

Tea Smallholder Factories PLC (TSF) fulfilled 69 per cent of its energy requirement through renewable energy sources, such as biomass purchased from surrounding communities, thereby contributing to only 2 per cent of the Group's carbon footprint. Such practices enable the Group to reduce its environmental impact and operational costs, whilst also providing means of livelihood for surrounding communities.

Renewable energy usage

132,706 GJ

2019/20: 119,387 GJ

19% of Group energy usage

2019/20: 15%

Contributed towards:

15% in carbon footprint

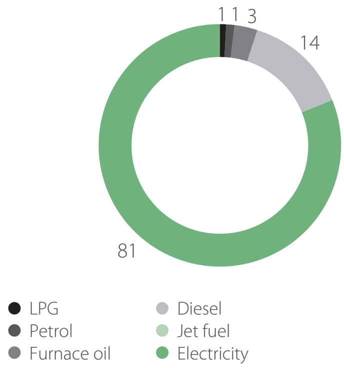
Carbon footprint reduction from renewable energy and initiatives

2020/21: **6,269 MT**

2019/20: 7,419 MT

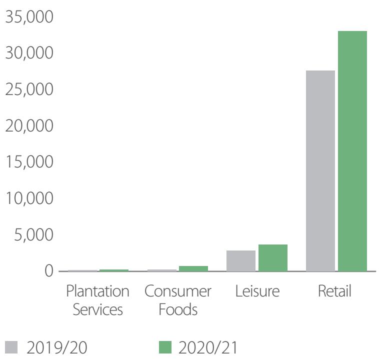
Carbon Footprint by Energy Type

(%)



Renewable Energy through Solar Power

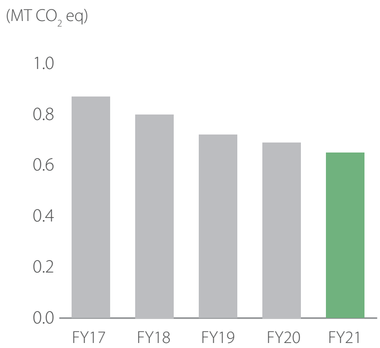
(GJ)



The Group continues to increase investments in solar energy.

Similar to the previous year, the main contributor to the Group's carbon footprint was electricity from the national grid, followed by diesel, furnace oil, LPG, petrol and jet fuel. Given that Sri Lanka's national grid is hydro-power based, the resultant carbon footprint is lower in contrast to countries producing power exclusively through fossil fuels.

The carbon footprint per Rs.million of revenue is on a declining trend, signifying the Group's commitment towards reducing its carbon footprint.



As depicted below, the Leisure, Consumer Foods and Retail industry groups were the largest consumers of energy, accounting for over 90 per cent of the energy consumed and 91 per cent of the carbon footprint of the Group.

Energy Consumption by Industry Group

(GJ '000)

Further details on these initiatives are found in the Industry Group Review section of the Report - page 66

ENERGY CONSERVATION EFFORTS

Group companies saved ~ 1,113 GJ, through various energy conservation initiatives.

ADOPT A TREE PROJECT

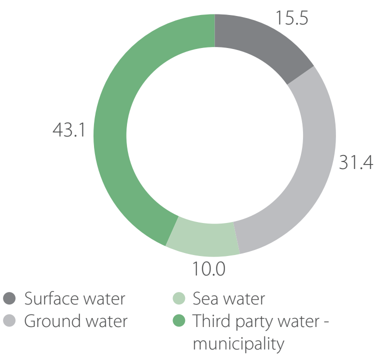
As a part of the ongoing environmental sustainability drive, 119 kumbuk saplings were distributed free-of-charge among Group employees. The survival rates and growth of these plants are monitored through a digital application. This was initiated by an employee at 'Cinnamon Lakeside Colombo' who extracted saplings from a tree at the hotel premises. This project is a testament to Group employees' passion and enthusiasm towards environmental conservation.

The Group seeks to fulfil part of its water requirement from green water sources through rainwater harvesting and reuse of treated water, where feasible. Given the nature of operations, the Leisure, Consumer Foods, Retail and Property industry groups account for the highest proportion of water consumed, with over 90 per cent of the Group's water consumed.

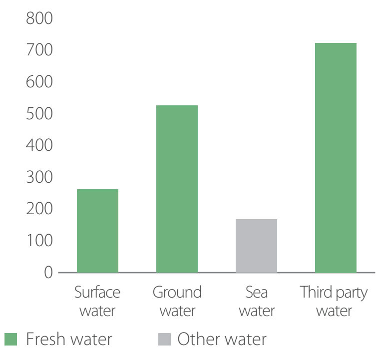
Water Withdrawn by Industry Group
(m^3 000)

The breakdown of Group water usage is further classified based on fresh water (less than 1,000 total dissolved solids) and other water usage (more than 1,000 total dissolved solids) as shown below.

Water Withdrawal by Source
(%)



Water Withdrawn by Category
(m^3 000)



Water Management

The Group continues to monitor and measure usage from all sources such as ground water, inland surface water bodies, oceans, and pipe-borne water from the National Water Supply and Drainage Board. All water withdrawn by the Group is from non-water stressed areas.

Water withdrawn
1,677,672 m^3
2019/20: 1,896,084m^3

33%
of water treated

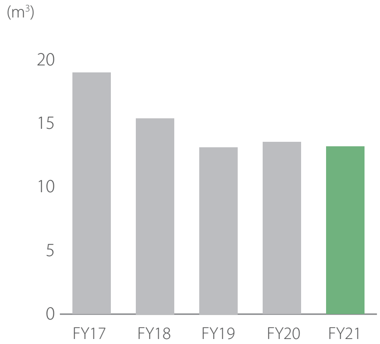
28%
of treated water is recycled

Contributed towards:
12% reduction in water withdrawn

Effluent Treatment Plant at 'Cinnamon Citadel Kandy'.

NATURAL CAPITAL

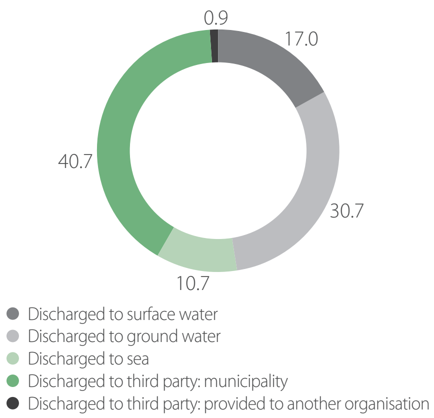
The Group reported a reduction in water usage per Rs.million of revenue.



Where feasible, the Group makes concerted efforts to reduce its water requirement by recycling treated effluent and bringing it to stipulated levels for reuse. The Group ensures compliance with regulatory standards, as per relevant Environmental Protection Licenses (EPL) when returning such water to the environment.

Water Discharge by Method

(%)



During the period under review, the Group discharged 1,091,384 cubic meters of effluent, all of which were discharged to non-water stressed areas and categorised as fresh water (less than 1,000 total dissolved solids). 33 per cent of the water was treated through on-site sewage treatment plants at various operational locations prior to being discharged, whilst 28 per cent of treated water was completely recycled. Such water was utilised for general cleaning and gardening.

*A detailed discussion of water withdrawal and discharge by industry group, as well as water saving initiatives and water reduction goals committed to be achieved by 2025, can be found in the Industry Group Review section of the Report - **page 66***

Waste Management

Total waste generated by the Group recorded a decline primarily due to the lower levels of activity in the Leisure industry group. Of the total waste generated, 279 MT was classified as hazardous waste and disposed of through specialised third-party contractors. 22 per cent of the non-hazardous waste generated was recycled or reused by the Group's business units through selected third-party contractors. The Leisure, Consumer Foods and Retail industry groups accounted for over 90 per cent of the waste generated by the Group.

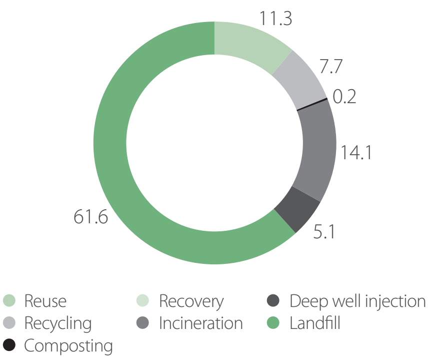
*Further details of how such waste was disposed of, reused and recycled are available in the Industry Group Review section of the Report along with the plastic reduction and landfill waste reduction goals set by select businesses for 2025 - **page 66***

Waste Generated by Industry Group

(kg '000)

Non-hazardous Waste Disposal by Method

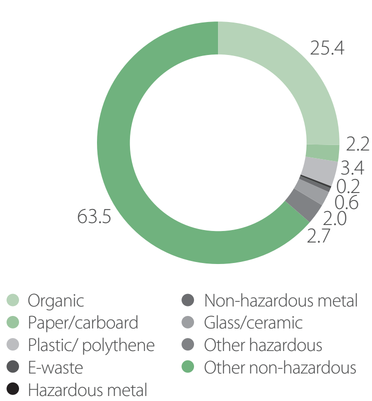
(%)



** All hazardous waste generated was disposed through recycling.*

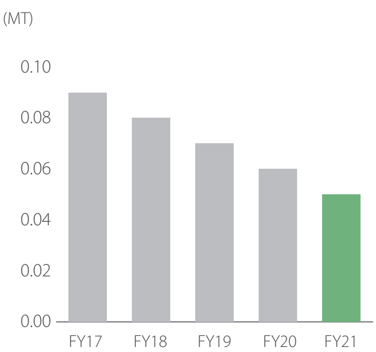
Waste by Composition

(%)



Biogas digester used to generate energy from food waste.

Continued efforts towards waste reduction and lower operational activity due to COVID-19 restrictions saw waste generated per Rs.million of revenue declining.



'PLASTICCYCLE' SOCIAL ENTREPRENEURSHIP INITIATIVE

Over 250 collection points island-wide since its inception in 2017/18	~330,00 PET bottles (~11 MT of recyclable plastic waste) collected in 2020/21

The Group's Social Entrepreneurship Project – 'Plasticcycle' remains committed to its vision of being a catalyst in significantly reducing plastic pollution in Sri Lanka. 'Plasticcycle' aims to drive change through three key areas of focus - creating awareness, supporting responsible disposal and promoting recycling.

Creating awareness in a post COVID-19 world

In response to an unprecedented increase in the consumption of single-use plastic, driven by an adoption of various health and safety measures in light of COVID-19, 'Plasticcycle' focused on various digital initiatives concentrated on creating awareness on sustainable disposal of plastic waste. To this end:

- Commuters entering the Outer Circular Highway and Southern Expressway were encouraged to drop off their waste in any of the 'Plasticcycle' bins placed at the exits.
- Customised webinars and videos featuring renowned industry experts were made available to school children through social media platforms.
- 'Code Green-Agent of Change' was launched across the Group to encourage employees and their families to practice responsible disposal of plastics through the use of 'eco-bricks' and other recycling techniques. 421 eco-bricks and 163 kg of recyclable plastic waste was collected and handed over to recyclers through this initiative.

Supporting responsible disposal

- Entered into a partnership with Hemas Manufacturing Private Limited to place 30 large 'Plasticcycle' bins across the Colombo District.
- 47 bins were placed at the Southern Expressway exit points, in collaboration with 'Cinnamon Wild Yala' and Ceylon Cold Stores PLC, increasing the total number of bins placed across the country to 259 bins.

Promoting recycling initiatives

- Staff volunteers participated in the 'National Beach Cleanup' organised by the Marine Environmental Protection Authority (MEPA) to commemorate International Coastal Cleanup Day. Over 150 kg of plastic was collected and recycled.
- The 'Beach Caretaker Project', a collaboration with MEPA, was extended to 'Cinnamon Bey Beruwala'. This project aims to maintain a pollution-free stretch of beach along the resort coast.
- Entered into a tripartite agreement with Ceylon Cold Stores, and 'Zerotrash' to establish a more efficient and effective plastic waste collection mechanism. Primarily focused on the Colombo district, this entails the construction of a sorting centre which is due to commence construction in May 2021.

ZERO WASTE DAY

This initiative, which is aimed at discouraging employees from bringing single-use plastic to work, was continued with a renewed emphasis to reduce waste streams amongst employees working remotely. Suggestions to minimise waste at home, information on alternatives and facts relating to waste and best practices were communicated to employees via online platforms.

Waste generated
6,763 MT
2019/20: 7,760 MT

22%
of waste recycled or used

259
'Plasticcycle' bins island-wide

CSR Environmental Initiatives

Given the Group's commitment to conserving the environment for future generations, the Group makes a conscious and collective effort to protect and promote environmental and biodiversity conservation through its social responsibility entity, John Keells Foundation (JKF). The following are key projects undertaken by JKF.

CSR FOCUS AREA - ENVIRONMENT

www.johnkeellsfoundation.com

Nature Field Centre, Rumassala

The Nature Field Centre was closed for visitors until December 2020, due to restrictions pertaining to the COVID-19 pandemic. Upon easing of such restrictions, 4 programmes were conducted benefiting 217 visitors. In order to sustain operations and promote the Centre, JKF in collaboration with the Central Environmental Authority (CEA) initiated work on a promotional-cum-awareness video.

CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

FAUNA AND FLORA CONSERVATION

JKF initiated a four-year collaboration with Ruk Rakaganno (The Tree Society of Sri Lanka) in its undertaking with the Department of Forest Conservation to support the restoration of 20 hectares of identified forest land (Suduwalipotha Forest) in the Ratnapura District that will mimic the adjoining Sinharaja forest, the largest lowland rainforest in Sri Lanka and a biodiversity hotspot that is designated a World Heritage Site by UNESCO. The following activities were conducted during the reporting period:

- A Baseline Ecological Assessment of the site by an expert team to facilitate the purchase of field equipment and plants and to commence clearing the land.
- A joint field visit with representatives from Ruk Rakaganno and 'Cinnamon Nature Trails' to assess the need for a Baseline Biodiversity Survey. At the visit, relevant personnel engaged with the local community on tools and supply of plants, whilst a list of plants available at the nurseries was earmarked for the project.

Paper Conservation

The Group continued with its long-standing initiative to responsibly recycle wastepaper collected from its businesses.

IMPACT DURING 2020/21

Direct impact: 18,899 kg of wastepaper collected for recycling and a monetary benefit of Rs.151,192

Indirect impact (reported saving) of:

- 321 Trees
- 600,610 litres of Water
- 75,596 kWh of Electricity
- 33,168 litres of Oil
- 57 m^3 of Landfill

HUMAN CAPITAL

The Group recognises the vital importance of its employees as a core business asset, and hence, the Group's management philosophy seeks to maximise value by cultivating engagement, improved productivity, high calibre talent attraction, retention and employee satisfaction. The Group's management systems and processes aim at ensuring a safe working environment with an emphasis on excellence, innovation and mutually beneficial outcomes to both employees and the Group.

Priority SDGs under Human Capital

Related SDG focus areas the Group is working towards:

4. QUALITY EDUCATION

Continuous investment in employees through learning, development, skill, and capacity building.

5. GENDER EQUALITY

Prioritise gender equity and increase female participation and opportunities for leadership.

8. DECENT WORK AND ECONOMIC GROWTH

Provision of a safe and healthy work environment for all employees.

10. REDUCED INEQUALITIES

The Group is an equal opportunity employer and does not tolerate discrimination of any form.

Key highlights for the year:

Shift towards learning through online and digital learning platforms which facilitated the 'work from home' arrangements during the COVID-19 pandemic.

Goal to increase female participation to **40%** by 2025/26.

Health and safety of all internal and external stakeholders associated with our operations took precedence amidst the outbreak of the COVID-19 pandemic and stringent procedures were adopted at all companies.

The Gender Policy, Agile Working Policy, Talent Management Policy and a Group-wide Mentoring Policy were formalised during the year.

Three-year performance indicators:

	2020/21	2019/20	2018/19
Total workforce (employees and contractors' staff)	20,092	20,578	20,765
Employees*	13,889	14,359	13,923
Outsourced personnel (neither staff employees nor seasonal workers)	6,203	6,219	6,842
Employee benefit liability as of 31 March (Rs.million)	2,330	2,344	2,086
Total attrition (%)	18	23	24
New hires (%)	47	65	63
Number of injuries	83	118	202
Number of people educated on serious diseases	Not conducted this year	29,630	63,931
Average hours of training per employee	23	44	45
No. of employees receiving performance reviews (%)	100	100	100
Incidences of child labour (below age 16)	0	0	0
Incidents of forced labour during the year	0	0	0

**Of the Group's total employees, 604 are placed in the Maldives, with the remainder domiciled in Sri Lanka*

COVID-19 RESPONSE AND AGILE WORKING ARRANGEMENTS

The onset of the COVID-19 pandemic presented numerous challenges concerning business continuity as organisations were placed in an unprecedented and volatile situation consequent to the imposition of lockdowns. To address this, the Group developed an agile working response which helped sustain productivity levels whilst minimising risks of community spread.

Key measures include:

- A new work arrangement protocol centred around business continuity and safety of both employees and community was established to serve as guidance for all Group companies. This included agile working guidelines, renewed processes for approval and safety measures to be followed.
- Continuous communication updates surrounding key developments and policy changes to stakeholders by the senior leadership.
- As part of the COVID-19 Business Continuity Plan, all job roles were scrutinised to determine the extent of agility presented by each role and steps were taken to facilitate necessary work arrangements to warrant business continuity.
- A multitude of virtual engagement initiatives, particularly focused on mental health were launched throughout the year.

oneJKH

'ONE JKH' emphasises our Group's approach towards valuing diversity in our workforce and that Life at JKH is inclusive. Irrespective of our race, religion, gender identity, sexual orientation, age, and ability, at JKH, we are ONE.

The colours used in the logo represent:

Gender Parity | Differently Abled | LGBTIQ

To visually consolidate the Group's efforts towards diversity, equity and inclusion, the brand 'ONE JKH' was launched in September 2020. The logo is now incorporated into vacancy advertisements to reinforce the Group's position on non-discrimination and equal opportunity.

Employee Diversity, Equity and Inclusion

The Group is committed to cultivating a diverse, equitable and inclusive workplace which provides all employees a common platform and equal opportunity. Mutual respect and dignity are fundamental beliefs that underlie the Group's human resources philosophy and this is formalised through the Group's Code of Conduct, non-discrimination and equal opportunity policies, which commit to maintaining an inclusive workplace where people can do their best work. All employees are responsible for treating their fellow colleagues with respect regardless of any differences, supported through a Group-wide culture of tolerance and open communication.

During the year under review, the Group concluded its committed initiatives under the International Finance Corporation's (IFC) 'SheWorks' Sri Lanka partnership, which focused on implementing gender smart solutions with the objective of increasing female participation in the workforce. Continuing from this momentum, the Group also joined 'Target Gender Equality', the UN Global Compact's accelerated programme towards increasing women's representation and leadership in business not only in the workplace but also in our value-chain and community.

On International Women's Day, the Group announced its commitment to increase female participation in the employee cadre to 40 per cent by FY2026, as a step towards achieving gender parity in the workforce. The Group also instituted a Diversity, Equity and Inclusion (DE&I) team towards increasing the diversity of our workforce and making are workplaces more inclusive and launched the 'ONE JKH' brand in September 2020 to consolidate its efforts towards diversity and inclusion and to increase the diversity metrics across the organisation. Some key initiatives in DE&I include employer supported childcare, increasing women in non-non-traditional roles, women centric training and launching of the Group Policy.

Primary research indicates that the adoption of an agile workplace policy has resulted in an improved work-life balance and will encourage stay-at-home mothers and persons with disability to participate in the JKH workforce.

The Group also supported the efforts of the 'National Transgender Network' and 'The Grassrooted Trust' in rolling out a research study to understand the readiness of employers to recruit transgender individuals at any level or function and the perception of employees towards transgender colleagues. The Gender Policy was also formalised during the year under review.

DIVERSITY GOAL

- Goal to increase female participation to 40% by 2025/26

This year, the Group joined 'Target Gender Equality', the UN Global Compact's accelerated programme towards increasing women's representation and leadership in business.

The Group is committed to increasing the number of women in senior leadership roles.

CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

COMPOSITION OF KEY MANAGEMENT COMMITTEES

7 member Board of Directors

- 2 members are between the ages of 30-50 whilst 5 members are over the age of 50
- 1 female director

6 Group Executive Committee (GEC) members (includes 2 Executive Directors)

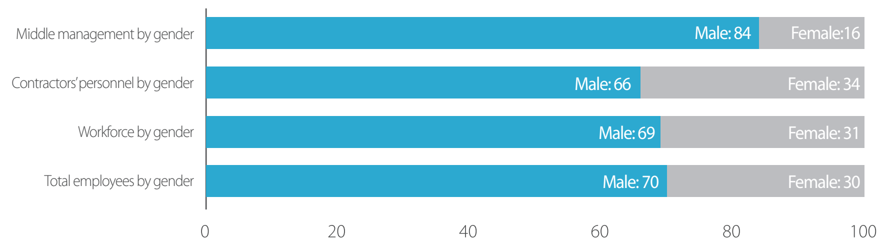
- 1 member is over 50 years whilst 5 members are between the ages of 30-50 years
- 1 female member

13 Group Operating Committee (GOC) members (excluding GEC members)

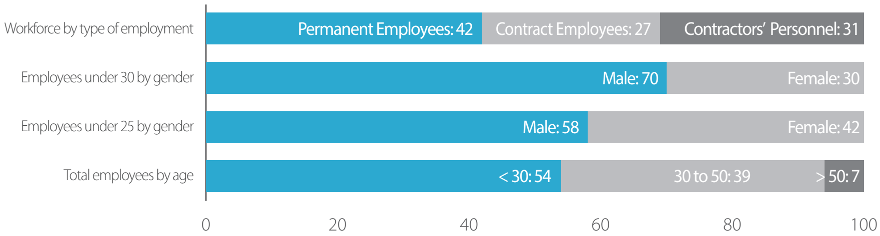
- 11 members are between the ages of 30-50 whilst 2 members are over the age of 50
- 4 female members

Diversity indicators such as gender and age are monitored on an ongoing basis across the Group.

Group Gender Diversity
(%)



Group Diversity by Age and Type of Employment
(%)



Talent Management

The Group understands the importance of developing, engaging and retaining high performing employees in improving business performance. To this end, the Group's talent management strategy aims to improve the overall employee experience by advocating continuous engagement through multiple channels and interventions. Following the feedback received from several employee engagement initiatives, the Group embarked on a set of action plans and policy changes as detailed below.

- In a bid to cultivate a culture of recognition and appreciation, awareness programmes and training sessions were carried out for all People Managers on the Human Resource Information System (HRIS) which could be used to award badges of appreciation to hardworking employees, provide continuous feedback on employee performance and encourage feedback from peers.
- Introduction of a parental insurance cover to all employees of the Group.
- Leveraging on the scale of its workforce, the Group is currently in negotiation with vendors to offer its employees discounted terms across a vast range of products and services that are consumed on a day-to-day basis.
- The Group in liaison with an international human resources consulting firm is currently in the process of conducting a comprehensive review of its entire human resources cycle and related policies in a bid to align its current human resource policies with global best practice.

Maternity leave and Paternity leave were increased to one hundred days and five days respectively.

An additional seven days of sick leave and adoption leave were introduced in order to improve the retention of talent, maintain productivity and boost employee morale.

Talent management within the Group is reinforced through the functionalities of its IT platforms. The HRIS is a contemporary system which offers managers the tools to efficiently hire, manage, develop and retain talented employees. The talent management module assists with identifying talent pools, critical roles and facilitates effective succession planning. Moreover, the Internal Job Posting Programme provides the Group with an opportunity to utilise its workforce more effectively by facilitating employee mobility across the Group.

HUMAN RESOURCE INFORMATION SYSTEM

After its launch in 2019, the Group completed a full cycle of all modules by July 2020. During this period the Group experienced the following benefits:

- 32 core HR processes in two sectors were outsourced to Shared Services and set the stage for a Group-wide roll out.
- Improved visibility on performance, employer expectations and employee progression has led to greater connectivity between supervisors and their teams, which has assisted in adopting agile work practices seamlessly across the Group.
- The ability to monitor future aspirations and interests of employees has benefited employers and employees alike in determining the best course of progression within the Group.

The Group continued its employer branding strategies during the year and was actively involved in numerous virtual programmes organised by local universities.

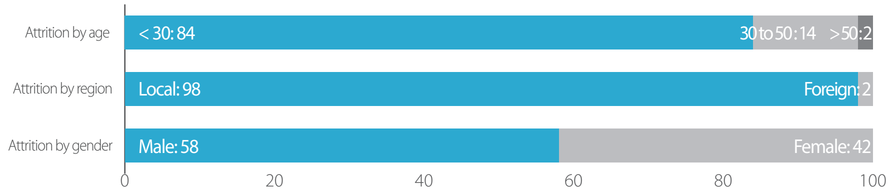
- As an active partner of the annual career fair, 'Are You Ready?' organised by the University of Moratuwa, the Group facilitated a webinar, resumé centre and virtual interviews for final year students.
- Participated in virtual career fairs and panel discussions organised by select national universities and other private institutions.
- OCTAVE, the Group's Centre of Excellence for Data and Advanced Analytics, was the sole sponsor of Data Storm 1.0, a two-day Advanced Analytics competition aimed at pioneering curiosity in Data and Advanced Analytics among innovative youth.
- Conducted a virtual workshop aimed at equipping school leavers with the skills and attitude required to overcome challenges in a workplace.

The Group's Management Trainee programme, which was due to complete its fourteenth year, and the 'FastTrack' summer internship programme were postponed to the next financial year on the back of the COVID-19 pandemic.

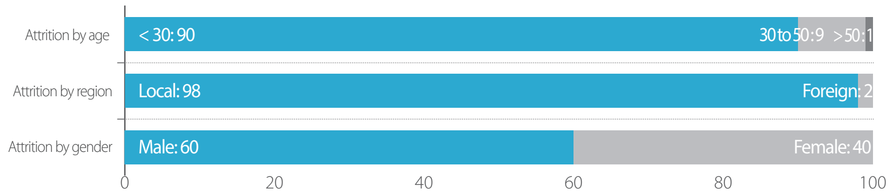
The Group closely monitors attrition which includes resignations and vacation of posts, with a particular focus on addressing attrition in sectors such as Information Technology and Supermarkets, which inherently experience higher staff turnover levels in comparison to other sectors. During the year under review, excluding Information Technology and Supermarkets, the Group's attrition rate was 18 per cent [2019/20: 23 per cent] and new hire attrition rate was 4 per cent [2019/20: 4 per cent]. Attrition amongst staff identified as 'Talent' has been negligible, due to the added emphasis by senior management to their overall development. Executive level attrition has typically remained lower than non-executive level attrition.

Detailed discussions of business-specific initiatives aimed at attracting and retaining employees is found in the Industry Group Review section of the Report - page 66

Group Total Attrition
(%)



Group New Hire Attrition
(%)



Learning and Development

Emphasis on continuous learning and development contributes towards nurturing talent that drives innovation and is able to adapt swiftly. In furtherance of the Group's future-focused learning strategy, the Group has been transforming its learning environment to one which is more learner-centric and digitally robust in the past few years. Owing to the COVID-19 pandemic, the Group further augmented this transformation by establishing remote working practices across the Group, where applicable.

- 23 hours of training per employee.
- Adapted to the evolving environment through remote learning, e-modules, knowledge sharing series, learning competitions, leadership development, access to e-books.

Employees participating in an onsite training programme.

Training	2020/21	2019/20
Total training hours	315,547	629,844
Training hours per female employee	23	35
Training hours per male employee	23	48

Whilst the recurrent closures due to the COVID-19 pandemic and resultant health and safety considerations impacted the number of on-site and in-person trainings that could be held, sectors with established e-learning ecosystems took forefront in migrating to online platforms to execute learning initiatives.

While there were challenges faced with respect to access to online forms of learning for certain businesses, the Retail and Financial Services industry groups saw a significant increase in online learning with the development of new e-learning content, and the migration of all classroom-based training to online platforms. Further, the Consumer Foods industry group consolidated its e-learning journey by pushing the development of key sales related training content through the learning management system (LMS) and online channels, whilst the Leisure industry group expedited plans to develop a customised LMS for 'Cinnamon Hotels & Resorts'.

CAPITAL MANAGEMENT REVIEW

HUMAN CAPITAL

Awareness sessions conducted on COIVD-19 safety guidelines.

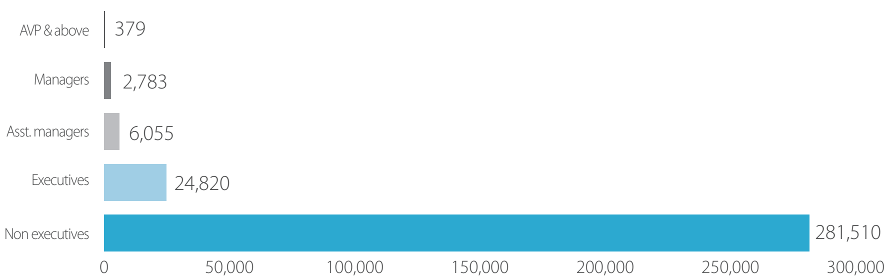
Centre-driven learning initiatives which previously included a significant number of classroom-based training programmes to cater to the diverse learner pool, were migrated to online channels in synchronous and asynchronous formats as mentioned below.

- Topical e-modules relating to health and safety guidelines and 'work from home' protocols were developed for Group-wide dissemination, whilst general awareness sessions on physical and psychological well-being and managing remote-working were facilitated through internal and external resources.
- Knowledge sharing series and micro-learning modules such as 'Pass it On' and 'The Learning Reel' and learning competitions such as 'Create' and 'The Quizathon' leveraged the concept of social learning and were introduced to engage with learners working remotely.
- The 'Masterclass' series enhanced internal faculty-led learning programmes.
- A JKH Speakers' Club, was established.
- Leadership development took place, as 100 mid-senior managers from across the Group underwent the 'McKinsey Management Programme', deployed online over a period of four months, spanning topics such as problem solving, communication, and teamwork.
- A pilot project was launched with a global provider of e-books and audio books.
- Leveraging on its existing relationships with world renowned education providers, customised learning courses were made available to help adapt to the changing work environment.

Aside from these new learning initiatives, Group inductions, competency-based programmes, development centres and new manager development programmes were deployed predominantly through online media. At a policy level, the Agile Working Policy, Talent Management Policy and a Group-wide Mentoring Policy was formalised during the year.

Detailed discussions of business-specific training initiatives for employees are found in the Industry Group Review section of the Report - page 66

Total Training Provided
(Hours)



Performance Appraisals and Recognition

The Group's performance cycle enables the identification of high performers and setting succession plans while simultaneously providing development and training to employees requiring support. In addition to the bi-annual formal feedback sessions of the Group's performance cycle, continuous performance management (CPM) was introduced as a result of the HRIS's performance features. This process enables supervisors and their teams to convert their objectives into activities and record progress and feedback on a continuous basis. Further, the cloud-based HRIS system enabled all performance appraisals and Career Committee reviews to be done remotely during the agile working arrangement period, given restrictions placed on operations due to the COVID-19 pandemic.

The Group drives a high-performance culture, and a number of employee recognition schemes are available at both Group and business level to ensure that all employees feel appreciated, encouraged and recognised. Special budgetary allocations are made available every year for this purpose, with awards for innovation, disruptive digitalisation, sustainability and CSR volunteerism also included in the Group's recognition scheme. Online recognition tools such as 'Badges' are available on the HRIS for employees to recognise and appreciate their colleagues for displaying Group Values, going the extra mile, for outstanding work and great teamwork, which are, in turn, recorded on employee profiles and linked to their performance appraisal. Continuous feedback is made available for employees to give and receive feedback from their colleagues which is shown in the performance management portal on the HRIS.

Topical e-modules relating to health and safety guidelines and 'work from home' protocols were developed for Group-wide dissemination, whilst general awareness sessions on physical and psychological well-being were conducted.

Health and Safety

The Group places utmost priority in ensuring that it is a safe place to work and to this end, robust management systems are in place to ensure a safe working environment on an ongoing basis. This entails gathering data on cause of injury, most common types of injuries and the severity of incidents that take place.

Injuries		Employees	Contractors' personnel
High consequence injuries	(number)	0	0
High consequence injury rate		0	0
Recordable injuries	(number)	57	26
Recordable injury rate		0.4	0.4
Number of hours worked	(millions)	27.78	12.41

Note: *All injury rates have been calculated based on 200,000 hours worked.*
High consequence injuries - injuries that require more than 6 months recovery time.
Recordable injuries - injuries that require recovery time of greater than 1 day and less than 6 months.
Zero fatalities of employees or contractors were recorded in 2020/21.

This year, health and safety of all internal and external stakeholders associated with our operations took precedence amidst the outbreak of the COVID-19 pandemic and stringent procedures were adopted at all companies to allow business continuity whilst ensuring hygiene and safety protocols were in place.

Details of COVID-19 health and safety measures can be found under the respective industry groups - page 66

Collective Bargaining

The Group also carries out ongoing engagements with trade unions through joint consultative committees and other mechanisms. Formal agreements are found in the Consumer Foods industry group which cover 585 employees, and accounts for 4 per cent of the Group's total employee count. TSF's wage structure is aligned with the regulations of the country's plantation industry.

Employee Benefit Plans

In Sri Lanka, employees are eligible for the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions, while employees who are Maldivian nationals employed in the Maldives are eligible for the Maldives Retirement Pension Scheme (MRPS) contributions. The total contribution made to the employee trust funds for the reporting year was Rs.174 million (3 per cent of salary contributed by employer), while the total contribution made to the employee provident fund was Rs.756 million (12- 20 per cent of salary contributed by employer and 8-15 per cent of salary contributed by employee). In Sri Lanka, employees are also entitled to retirement gratuity. The employee benefit liability as at 31 March 2021 was Rs.2.3 billion.

John Keells staff volunteers at various CSR initiatives.

Regular fire safety drills are conducted at business sites.

Staff Volunteerism

Staff volunteerism plays a vital role in the success of initiatives undertaken by JKF - the social responsibility entity of the Group. Staff volunteers can vary from project champions, sector coordinators, volunteer trainers and skill-based volunteers to those providing field and administrative support. Consonant with the Group's community engagement strategy, the John Keells Volunteer Network enables employees to go beyond their day-to-day work and make a hands-on contribution to the community and environment, while the Group's volunteer leave policy enables staff to be released for CSR activities with minimum restraint.

COVID-19 INSIGHT

Despite restrictions on field-based opportunities due to the COVID-19 pandemic, 226 staff volunteers engaged in projects undertaken by JKF while over 388 volunteer instances and over 900 hours were recorded during the year under review. Notwithstanding the challenges consequent to the pandemic, volunteers across the Group supported JKF to sustain and innovate planned activities including the conduct of a wide array of virtual and remote programmes during the year.

Stringent policies, practices, trainings and safety certifications are in place across businesses and Group companies closely monitor, report and follow up on incidences of injury.

CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

The Group strongly believes in the importance of forging sustainable relationships with customers, suppliers, community and all other stakeholders to unlock long-term sustainable value creation. To this end, the Group is engaged in a multitude of initiatives that facilitate collaboration and reciprocity between the Group and its key stakeholders.

Priority SDGs under Social and Relationship Capital

Related SDGs the Group is working towards:

1. NO POVERTY

Fostering sustainable livelihoods through relevant skills, capacity and infrastructure enhancement towards poverty alleviation.

3. GOOD HEALTH AND WELL-BEING

Fostering healthy communities towards enhancing well-being and productivity.

4. QUALITY EDUCATION

Providing better access to educational opportunities towards enhancing employability and entrepreneurship.

5. GENDER EQUALITY

Working towards gender empowerment through skill development and infrastructure enhancement, eliminating all types of violence from society through awareness and capacity building.

6. CLEAN WATER AND SANITATION

Supporting communities with essential infrastructure facilities to enhance access to clean water and sanitation.

8. DECENT WORK AND ECONOMIC GROWTH

Developing sustainable livelihoods through relevant skills, capacity and infrastructure enhancement towards building empowered and sustainable communities.

Entrenching sustainability into supply chains, building mutually beneficial relationships and livelihood development.

11. SUSTAINABLE CITIES AND COMMUNITIES

Nurturing the livelihoods of local communities, including artists and preserving the cultural heritage creation.

16. PEACE, JUSTICE AND STRONG INSTITUTIONS

Eliminating violence, especially against women and children through capacity building and awareness creation.

Key highlights for the year:

Successful completion of the 7-year integrated development programme in two villages of the Mullaitivu district reducing the poverty line from **93% to 29%**.

Launch of Skill into Progress (SKIP) programme to upskill identified suppliers of the Group.

Launch of a new initiative on Substance Abuse Prevention Awareness directly impacting 219 teachers, parents and Government officials.

Multi-pronged public awareness campaigns focused on preventing and addressing Gender-based Violence and Child Abuse, reaching over 1 million people.

Pilot Soft Skills Webinar Series benefiting 388 university students.

English language and higher education scholarships benefiting 197 disadvantaged school children and university students.

Empowering women's livelihoods by upskilling and facilitating market linkages for 12 women engaged in batik craft and 16 women producing paper products.

Initiated a restoration project involving 20 hectares of identified forest land to grow into a forest habitat that will mimic the adjoining Sinharaja forest, a world heritage site.

Kala Pola (Art Fair) was organised as a virtual event spanning over a month which showcased 202 artists.

Proactive COVID-19 relief for affected communities and frontline workers through the provision of various health and safety equipment.

85 per cent of the Group's purchases were sourced from local suppliers.

Three-year performance indicators:

		2020/21	2019/20**	2018/19
Community services and infrastructure projects	(Rs.million)	51	111	115
Proportion of purchases from suppliers within Sri Lanka	(%)	85	79	78
Community engagement	(no. of persons impacted)	756,153	833,234	946,082
Sustainability integration awareness	(no. of business partners)	72	134	80
Business partners screened for labour, environment and human rights	(no. of business partners)	74	89	90
Proportion of labels carrying ingredients used	(%)	79	80	80
Proportion of labels carrying information on disposal	(%)	92	88	93
Proportion of labels carrying sourcing of components	(%)	1	1	1
Monetary value of significant fines*	(Rs.)	No significant fines	3,932,051	1,021,875
Proportion of businesses analysed for risk of corruption	(%)	100	100	100

**Significant fines are defined as fines over Rs.1 million*
*** 2019/20 has been restated*

It is pertinent to note that the Group did not experience either significant fines or any environmental levies during the year, aside from minor product related fines in the Retail sector which have been duly addressed and rectified.

Of the Group's economic value distributed, 85 per cent was spent on goods, services and utilities locally. This is derived based on the number of operations, location of revenue generation and location of significant operations. During the year, the Group was able to support community suppliers, many of whom are small businesses, by spending Rs.5.6 billion mainly on the purchase of fresh produce through the Consumer Foods and Retail industry groups and Sri Lankan Resorts and Colombo Hotels segments.

Product Responsibility

The Group is committed to maintaining the highest quality in its product and service offering, by adhering to all legal requirements, both local and international. Robust quality management processes are in place to ensure the highest quality in processes, responsible marketing and communications and health and safety of both employees and customers. The Group's affiliation with the certification of ISO 9001, ISO 14001 and OHSAS 18001/ISO 45001 signifies its commitment in this regard.

Supply Chain Management

The Group extends its sustainability focus to its value chain, with a view to create, protect and foster long-term environmental, social and economic value for all stakeholders. To this end, its Supplier Code of Conduct mandates compliance with laws and regulations as well as adherence to and support of international principles on ethical labour practices, human rights, environmental impacts and other sustainability issues. It is noteworthy to mention that the code was revisited to encourage female participation in all facets of the Group's supply chain.

The Group constantly invests in educating and engaging with its suppliers to share best practices on sustainable conduct. During the year under review, the Group engaged with 72 suppliers and also carried out assessments on 74 suppliers currently contracted with Group businesses.

The Group Initiatives division also reinforces the Group's commitment towards a sustainable value chain by providing functionalities to assess tenders and online bids for high value items sourced, based on social and environmental aspects in addition to price and quality. Conscious of the impacts of the COVID-19 pandemic on its suppliers, the Group adopted measures to assist suppliers connected to its value chain, as detailed under the respective Industry Group sections.

Social Responsibility

The Group firmly believes that community engagement, social empowerment and environmental sustainability are fundamental to sustainable growth and generate wide-ranging impacts to the basic human rights and needs of people.

CSR FOCUS AREA - LIVELIHOOD DEVELOPMENT

www.johnkeellsfoundation.com

John Keells 'Praja Shakthi'

The ensuing projects were undertaken by JKF under this business centric community empowerment initiative centred around the locations of Colombo 02, Hikkaduwa and Ranala:

- Following a needs assessment forum with street vendors and women engaged in catering services in Colombo 02 and in view of COVID-19 related restrictions in conducting onsite training programs, JKF initiated '#KeepItSafe' - an awareness creation on food safety and hygiene via a customised video series developed with the support of chefs of 'Cinnamon Hotels & Resorts'.
- A ground assessment was conducted in collaboration with Public Health Inspectors of the Colombo Municipal Council (CMC) to develop an activity plan towards addressing gaps and improving market conditions of street vendors. An assessment report along with recommendations was subsequently submitted to CMC and potential collaborative action plans are in discussion.
- With the objective of providing women and men sustainable livelihood opportunities, JKF and the International Finance Corporation have agreed to collaborate on a street market concept to empower the surrounding community while also enhancing the appeal of Colombo as a destination city.
- With the aim of linking daily wage earners with employment opportunities, JKF coordinated job applications resulting in the hire of one worker at the 'Cinnamon Life' construction site.
- In order to support the livelihoods of those engaged in the pottery industry, JKF together with CCS funded the renovation of a clay mixing machine which is expected to support 26 families in Ranala.

Youth and Child Development

- JKF and 'ChildFund Sri Lanka' agreed to collaborate on developing a Child Resource Centre (CRC) at the De Mel Park Community Centre (previously constructed and donated by JKF). Following clearance of planned initiatives with the CMC, two community meetings were conducted with youth in Colombo 02 to assess needs and obtain community support.
- A programme on e-marketing was conducted by digital marketing volunteers from the Group benefitting 10 participants in Ranala.

Gender Empowerment

The following programmes were conducted towards promoting women's entrepreneurship:

- A two-day workshop for 10 women engaged in the batik craft in Hikkaduwa in collaboration with the Academy of Design, 'Hikka Tranz by Cinnamon' and the Divisional Secretariat (DS) of Hikkaduwa. Following the training, a business plan was developed for the production of an upmarket range of products and the launch of a new brand 'Hikka Batiks'. A pilot sale of the first batch of products was successfully held in Colombo in April 2021.
- A two-month training on producing paper products with the participation of 16 women from the 'Batewela Ranliya Women's Society of Ranala' in collaboration with CCS and the Divisional Secretary of Kaduwela. JKF also provided the participants with the seed capital to purchase raw materials to service new orders which have improved substantially since the training. JKF and CCS will continue to support these women to increase their capacity and market access towards becoming independent and self-sustained entrepreneurs.

CAPITAL MANAGEMENT REVIEW

SOCIAL AND RELATIONSHIP CAPITAL

Pilot sale of 'Hikka Batiks' women's enterprise.

VILLAGE ADOPTION

JKF's 7-year integrated development programme in Mullaitivu under the 'Village Adoption' project was successfully concluded with the completion and public vesting of the farmer anicut in August 2020. JKF visited Iranaipalai and Puthumathalan for the closure ceremony and met with beneficiaries to assess the key initiatives that were carried out in the two villages.

"This initiative brings us great joy as this puts an end to our 50-year turmoil. We used to stack up close to 200 sand bags spending Rs.75,000, at least three times a year, to prevent the water from going back to the sea. This anicut will enable each farmer to earn a profit of at least Rs.250,000 a year."

- John Amaranayakam
Secretary of the Farmer Organisation in Iranaipalai

- Multiple development activities comprising fisher and farmer livelihood support, skills development and refresher classes ahead of public examinations, essential livelihood and education related infrastructure, gender and youth empowerment were undertaken during the 7 years.
- Total investment of over Rs.45.5 million
- Benefiting over 2,035 persons during the project tenure
- Reducing the poverty line from 93 per cent to 29 per cent
- Recording an increase in the pass rate at A/L examinations from 40 per cent to 100 per cent

CSR FOCUS AREA: EDUCATION

www.johnkeellsfoundation.com

English Language Scholarship Programme (ELSP)

JKF continued its long-term project offering scholarships to improve proficiency in English to disadvantaged school children from rural and underserved communities under its sustained programme 'English for Teens'. 169 high-performing students from the 2019/20 programme were offered scholarships under the Tier 2 scheme which also focuses on developing soft skills. A total of 150 students successfully completed the online classes recording requisite attendance and passed the final examination.

The virtual English Day events organised by JKF for the students who completed ELSP in 2019/20, were held during the year with the participation of 181 students from 05 locations and judged remotely due to COVID-19 related restrictions. These events provide a platform for the scholars to showcase their talents and demonstrate self-confidence in the presence of an independent panel of judges.

Skill into Progress (SKIP)

JKF introduced a customised upskilling programme called 'Skill into Progress' (SKIP) in collaboration with the Destination Management segment and the Supermarket business, aimed at improving English proficiency of chauffeurs and suppliers attached to these businesses, respectively. These 36-hour pilot programmes conducted by the Gateway Language Centre were completed by 16 chauffeur guides and are in progress for 12 'Keells' own label suppliers.

"Before this programme, I was not confident in communicating in English. Today, I am able to provide my feedback on the programme in English, without the help of anyone after following this programme. I believe that this will help me to a great extent in the future. I would like to thank Keells for going beyond business relationships and supporting their suppliers."

- Kumari Rajakaruna
Participant of the SKIP programme for 'Keells' suppliers

English Camp for Kids

A customised 15-hour activity-based English camp was organised for the children of chauffeur guides attached to the Destination Management segment during the schools lockdown period. A total of 36 students completed this online programme.

John Keells 'Praja Shakthi' – Education and Skills Development

As part of the John Keells 'Praja Shakthi' programme, the following initiatives relating to school infrastructure and education support were implemented:

- In commemoration of National Children's Day, JKF organised a book donation to Al Iqbal Balika Vidyalaya, T.B. Jayah Zahira College, Holy Rosary Tamil school and Siri Sariputta Vidyalaya in Colombo 02.
- JKF in collaboration with 'Hikka Tranz by Cinnamon', relocated and renovated the playground at 'Ekamuthu' pre-school in Hikkaduwa benefiting 30 pre-school children.

Soft Skills for University Undergraduates

Due to restrictions on gatherings on account of COVID-19, JKF piloted a webinar series aimed at improving the employability of university undergraduates. 388 students participated in the three workshops that spanned over three weeks.

Higher Education Scholarship Programme

18 advanced level students and 10 university students were provided scholarships to pursue their education under this programme, which is aimed at encouraging disadvantaged youth from underserved communities to pursue their higher education.

Graduate Training Programme

Following a request made by the Colombo DS, JKF pledged to provide private sector work experience and exposure to 64 graduates newly recruited to the Government Sector, over a period of 15 weeks at Group businesses. While the first batch commenced the programme at 6 different businesses of the Group, due to the restrictions resulting from the COVID-19 pandemic, the training sessions were suspended indefinitely.

CSR FOCUS AREA - HEALTH

www.johnkeellsfoundation.com

The John Keells Vision Project

During the year in review, the following initiatives were undertaken:

- Vision screening in 15 schools of the Colombo District, with over 81 school children being tested and 239 eyeglasses provided free-of-charge, resulting in a cumulative project total of 14,212 eyeglasses.
- JKF rescinded the MoUs with the Ministry of Health on conducting further cataract clinics, surgeries and vision screening programmes with due notice and effective from January 2021, in view of the progressive decline in the number of camps and surgeries held over the past few years and continued challenges posed by the COVID-19 pandemic.

Project WAVE (Working Against Violence through Education)

'Project WAVE' (Working Against Violence through Education) – a long-term project launched in 2014 with the aim of preventing gender-based violence and child abuse through education, capacity building, social sensitisation and advocacy programmes - continued to make strides in the reporting year.

- The annual public awareness campaign against sexual harassment was conducted for the fifth successive year in commemoration of the International Day for the Elimination of Violence against Women. The campaign, themed 'Break the Silence to End the Violence', comprised the launch of an e-learning platform for Group staff on raising awareness on gender-based violence and child abuse, a panel discussion aired during prime time on a premier television channel and a public awareness campaign through social media and digital screens in the City. The campaign reached over 991,000 persons.
- During the year, virtual awareness sessions conducted at Group induction programmes and an interactive e-learning platform were used to provide basic and informative knowledge to Group staff. These initiatives impacted 101 staff.
- A poster campaign was organised to commemorate National Children's Day under the theme, 'Investing in our future means investing in our children'. Posters aimed at raising public awareness on Child Protection and promoting value based character development were displayed at 11 John Keells 'Praja Shakthi' schools, 114 'Keells' supermarket outlets and 10 'Cinnamon Hotels & Resorts'. The awareness poster was also promoted on social media platforms reaching over 41,000 persons.
- The project had a cumulative reach of over 1 million persons during the year.

John Keells HIV and AIDS Awareness Campaign

HIV & AIDS awareness sessions have been conducted for varied segments of the population, since its inception in 2005. Sessions are conducted by John Keells volunteer trainers, with some of the sessions featuring testimonies by HIV positive persons as a means of effectively addressing aspects of stigma and discrimination while enabling such persons to develop economic independence.

During the year under review:

- World AIDS Day was commemorated through a video message delivered by Master Trainers to encourage staff to take the e-learning module available on the JKF website.
- JMSL extended its food redistribution campaign to the Positive Women's Network - an NGO concerned with the well-being of HIV/AIDS positive individuals - by donating fresh vegetables and other produce.

SUBSTANCE ABUSE PREVENTION AWARENESS

Whilst awareness on drug abuse prevention among school children is critical, equipping teachers and parents with a proper understanding of the related risks and dangers and the importance of creating an enabling environment to support drug prevention is equally pivotal.

In this context, JKF launched a new project on Substance Abuse Prevention Awareness during the reporting year, piloting both a capacity building programme for teacher counsellors in the Colombo district in collaboration with the National Dangerous Drugs Control Board (NDDCB) as well as awareness for pre-school teachers, parents and Government officials in Hikkaduwa in collaboration with Humedica Lanka.

The 3-day teacher training workshops organised by NDDCB in collaboration with the Ministry of Education empowered 107 teachers and principals from 91 schools from the Colombo and Sri Jayewardenepura Education Zones.

Awareness sessions were also conducted for Government officials including DS subject staff, Grama Niladhari, representatives from the Provincial Education Department, community police, pre-school teachers and parents in collaboration with Humedica Lanka. A total of 109 participants benefited from the programmes while a multi- stakeholder steering committee was also established to identify community related issues, drive this initiative within the community and ensure its sustainability.

Substance abuse prevention awareness session in Hikkaduwa.

SOCIAL AND RELATIONSHIP CAPITAL

CSR FOCUS AREA – ARTS AND CULTURE

www.johnkeellsfoundation.com

Kala Pola

'Kala Pola' - Sri Lanka's annual art fair showcasing and promoting visual art - was conducted online as a month-long event for the first time in its 28-year history owing to COVID-19 related restrictions. Conceptualised by the George Keyt Foundation and funded and organised by the John Keells Group, the event was hosted on JKF's digital platform (www.srilankanartgallery.com) showcasing over 4,000 works of art from 202 artists. The event attracted 56,420 visitors during the month with over 200 pieces of art sold online.

Nations Trust Bank came on board as the event's Banking Partner, with an exclusive preview of the online event being offered to its Private Banking customers.

As a means of enhancing visitor experience and knowledge creation, the month-long event featured four interactive events including a collector's guide on starting and adding to a collection, a kids' clay and leaf printing workshop, a panel discussion on digital transformation in the art industry and a panel discussion with senior 'Kala Pola' artists.

As the second phase of the programme, a one-day pilot pop-up sale was held at Arcade Independence Square in Colombo featuring 25 senior artists who have been a part of the event for over 15 years. The pop-up sale which was held subject to COVID-19 protocols attracted 978 visitors and generated over Rs.1.5 Mn in estimated sales revenue.

Sri Lankan Digital Art Gallery

JKF continued to maintain and improve its digital art gallery which serves as an online platform for local artists to showcase their work all year-round while sustaining and enhancing the interest of art patrons. As at 31 March 2021, 1,136 artists were registered with the Sri Lankan Art Gallery (www.srilankanartgallery.com) including 40 new artists registered for 'Kala Pola 2021'. During the year in review, 34,319 persons visited the site - a 65 per cent increase against 2019/20.

Gratiaen Trust

JKF continued its primary sponsorship of the Gratiaen Trust (GT) to recognise, promote and nurture Sri Lankan authors residing in Sri Lanka.

- Despite COVID-19-related restrictions, GT conducted its annual short list event and Gratiaen Prize event virtually attracting over 16,000 viewers. The online event enabled GT to reach a wider audience within and outside of Sri Lanka while recognising Sri Lankan authors resident in the country.
- A weekend event in association with JKF and 'Cinnamon Bentota Beach' was conducted featuring a poetry reading, travel history, archaeology, geographies, a panel discussion with cricket celebrity Kumar Sangakkara and Gratiaen writers, among others. The event attracted 90 guests.
- An event was organised in commemoration of Children's Day to encourage young readers. 98 children participated in these sessions which featured children's literature by renowned children's writer Sybil Wettasinghe among others.
- An online workshop was successfully held in collaboration with the University of Peradeniya and Seagull School of Publishing, India which also served as a lead up to the H.A.I Goonetileke Award due to be presented in 2021/22.

Museum of Modern and Contemporary Art (MMCA)

JKF continued its primary sponsorship of the Museum of Modern and Contemporary Art (MMCA) which aims to establish a public museum dedicated to the display, research, collection and conservation of Sri Lankan modern and contemporary art. In view of the restrictions arising due to COVID-19 during the year, MMCA also focused on initiatives under Education and Livelihood development in the realm of art. MMCA's key activities included:

- A collaboration with the Department of Fine Arts of the University of Jaffna to develop a series of online lectures for the final year special degree course.
- Eight final year students from the Department of Art History, University of Jaffna completed a 21-day internship as a continuing study programme, leading on from the Curatorial Practice Course Unit conducted by MMCA.
- A capacity building programme for G.C.E. Ordinary Level Art teachers for curriculum development under areas of competencies in art curricula, focusing on modern art, theory vs. practice and overcoming constraints.
- Introducing trilingual learning resources on MMCA's website.
- 10 studio visits during the year, to identify capacity building and other support requirements of local artists.
- Elements of the 'One Hundred Thousand Small Tales' exhibition were transitioned to an online platform and with the easing of the lockdown, the exhibition was re-opened to the public in August 2020.
- Ongoing cataloguing of the George Keyt Collection and Gamini Ratnavira Collection at 'Cinnamon Lodge Habarana'

Sunera Foundation

During the year under review, JKF concluded its sponsorship at Katugasthota and moved its support to Sunera Foundation's workshop for 19 differently abled children and youth in Galle. Although only three physical classes took place due to COVID-19 related restrictions, the trainers continued to stay in contact with the families to keep the children engaged in home-based activities.

Aluwihare Hertiage Centre (AHC)

During the year JKF initiated a sponsorship for AHC's programme to identify, record and archive the works of over 4,000 tracings of batik samples of the late Ena De Silva - a renowned Sri Lankan artist credited with re-establishing the country's batik industry – and to support related activities of a group of women entrepreneurs in Aluwihare in Matale District.

CSR FOCUS AREA - DISASTER RELIEF

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Supporting fellow citizens in their time of need has been a vital aspect of the John Keells Group's culture.

Towards addressing the challenges arising from the COVID-19 pandemic, the following initiatives were undertaken to strengthen the safety of the front-line workers and the community:

- JKF assisted five Government hospitals with the donation of personal protection equipment (PPE) and KN95 masks.
- Six schools in Colombo 02 and Ranala were provided with handwashing units to support the observance of Government protocols for recommencement of schools post-COVID-19. Further, the community police of Colombo 02 were supplied with chemicals to sanitise five schools with the assistance of Group volunteers.
- Handwashing units were provided to two Grama Niladhari Divisions in Ranala and the Nawagamuwa Police Station.
- Distribution of surgical masks and hand sanitisers to 100 Government officials in Colombo.

For further details on these projects, refer the John Keells Foundation website and social media pages.

Handwashing stations installed in schools to abide by COVID-19 protocols.

INTELLECTUAL CAPITAL

The Group places emphasis on Intellectual Capital as a source of competitive advantage, given its importance in sustainable value creation. As such, the Group strives to continually innovate, rely on new technology and leverage on the skills and knowledge of its employees in a bid to grow its Intellectual Capital base.

Priority SDGs under Human Capital

Related SDG focus areas the Group is working towards:	Key highlights for the year:
7. AFFORDABLE AND CLEAN ENERGY Develop new and efficient solutions surrounding modern energy services.	John Keells Research (JKR) explored opportunities to commercialise JKR's contemporary rubber graphite composite technology and its wireless energy harvesting technology.
8. DECENT WORK AND ECONOMIC GROWTH Continue to collaborate with and support the start-up ecosystem of Sri Lanka by creating a unique platform for disruptive and innovative technology-based solutions. Facilitate a digital transformation drive, through advanced analytics solutions with the aim of enabling data driven decision-making in businesses.	OCTAVE continued to develop, pilot and roll out a series of use cases, where preliminary results are promising. To develop internal capability, OCTAVE continued to expand its team of advanced analytics professionals.
9. INDUSTRY, INNOVATION AND INFRASTRUCTURE Continue to grow the Intellectual Capital base by innovating, relying on new technology and leveraging on the skills and knowledge of employees.	John Keells X continued to monitor and support its current portfolio of start-ups through funding support, access to the Group networks, support services and mentoring.
17. PARTNERSHIPS FOR THE GOALS The Group is an equal opportunity employer and does not tolerate discrimination of any form.	

Research and Development

John Keells Research (JKR), the research and development arm of the Group, is constantly engaged in discovering new and efficient solutions to dynamic business needs as well as potential solutions which could lead to novel business models. To this end, JKR was involved in a multitude of projects during the year under review:

- Entered into an MoU with Orel Corporation (Private) Limited in Sri Lanka, to co-develop an antimicrobial polymer composite.
- Collaborated with Deakin University in Australia, to develop high quality supercapacitor prototypes using patented novel energy storage material developed in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML).
- Explored opportunities, both locally and globally, to commercialise and co-develop JKR's contemporary rubber graphite composite technology and its wireless energy harvesting technology.
- Selected to participate in the 'Enabling IP Environment Project' conducted by the World Intellectual Property Office (WIPO) for the third consecutive year. JKR remains the only private sector-based research group in the world to be selected. Under the programme, JKR continues to receive mentorship from WIPO nominated experts on its commercialisation efforts relating to two of its projects.

- Organised an online training programme on royalty rate determination in the context of IP licensing, which was conducted by Prof. Richard Cahoon of Cornell University, for select Centre Functions.

In a backdrop of evolving business trends and customer preferences, the Group's brand strategy aims at remaining authentic and relevant, whilst resonating core values and beliefs of the Group. To this end, the Group engaged in the following initiatives and was a recipient of the following accolades during the year under review;

- The new 'Keells' modern trade brand which was developed with the aim of epitomising JMSL's 'fresh' promise, service excellence and quality was adjudged as the most valuable supermarket brand for the second consecutive year in 2020. Further, the brand was listed amongst the top 10 most visible brands on the internet in Sri Lanka by the Asia Pacific Institute of Digital Marketing and was shortlisted for the World Retail Awards under the best brand transformation category.
- The 'Elephant House' brand, stems from a rich and celebrated history which was further reinforced when the brand won the gold award for 'confectionery and beverage products' and was the recipient of a special award for 'best performing exporter in emerging markets' at NCE Export Awards 2020.
- Further to its brand change in March 2020, which was centred around the theme 'Your Life, Our Strength', Union Assurance (UA) was awarded the Best Brand and Sustainable Marketing Excellence award by CMO Asia/CMO Global and was selected as the top ranked Insurance Company in the Life and Non-life categories in the inaugural 'LMD's Most Awarded'. UA was also awarded Domestic Life Insurer of the Year, New Insurance Product of the Year, and Digital Insurance Initiative of the Year at the Insurance Asia Awards 2020 making it the only Sri Lankan life insurer to be awarded with such accolades at this prestigious event.

In a backdrop of evolving business trends and customer preferences, the Group's brand strategy aims at remaining authentic and relevant, whilst resonating core values and beliefs of the Group.

Brand Stewardship

The Group is home to many brands which have gained recognition in their respective spheres over many years. The range of brands under each of the industry groups are depicted below.

TRANSPORTATION
Transportation
Ports and Shipping

CONSUMER FOODS
Beverages
Frozen Confectionery
Convenience Foods

RETAIL
Supermarkets
Office
Automation

LEISURE
Cinnamon Hotels & Resorts
Destination Management
Hotel Management

PROPERTY
Property Development
Real Estate

FINANCIAL SERVICES
Insurance
Banking
Stockbroking

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES
Information Technology
Plantation Services
Other

Digitisation, Disruption and Open Innovation

In a business climate of fast growing disruptive technology and radically changing consumer expectations, the Group has placed emphasis on creating a platform to facilitate its digital transformation drive, centred around 'Disruption and Innovation' to seize the potential opportunities offered through disruptive technology. The Group's digital transformation drive entail investments in infrastructure, instilling a culture of change acceptance and training of staff, among others. The Group understands that disruptive technology is not simply a driver of growth and opportunity, but an important source of gaining competitive advantage. However, the Group is mindful of navigating the inherent uncertainty and challenges presented by disruptive technologies by taking proactive measures prior to the adoption of such technology. The Group's Advance Analytics journey and John Keells X (JKX) is a testament to the Group's commitment to its digital transformation drive.

John Keells X (JKX), the Group's start-up accelerator, provides a channel for Group businesses to collaborate with the start-up ecosystem of Sri Lanka by creating a unique platform for disruptive and innovative technology-based solutions. JKX also provides initial investment and support required for early stage start-ups.

Key highlights for JKX during the year under review are as follows:

- JKX funded start-ups remained resilient during the first and second waves of the COVID-19 pandemic and demonstrated growth in business performance relative to pre-pandemic levels. Select companies were also successful in attracting and securing investment from external investors.
- JKX funded start-ups continued to perform well on local and global competitions, with select start-ups gaining entry to international start-up accelerator programmes.
- JKX continued to monitor and support its current portfolio of start-ups through funding support, access to the Group networks, support services and mentoring.
- The annual open innovation challenge for the year under review, was postponed to the ensuing year in lieu of challenges arising from the COVID-19 pandemic.

The Group's digital transformation drive entail investments in infrastructure, instilling a culture of change acceptance and training of staff, among others.

OCTAVE

ADVANCED ANALYTICS TRANSFORMATION JOURNEY

The Group continued its advanced analytics transformation journey, which commenced in 2019. OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group, in collaboration with a global consulting firm, focuses on a transformation journey for the Group through a greater degree of data driven decision-making in businesses across the Group.

As noted in the 2019/20 JKH Annual Report, work on a series of use cases in the Retail and Financial Services industry groups yielded promising results, with initial pilot projects indicating signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. However, challenges on the back of the COVID-19 pandemic compelled the Group to review the timing of the roll out of several of these identified use cases until such time business operations returned to a level of normalcy, and impact could be meaningfully assessed.

With business activity rebounding towards the fourth quarter of the year under review, OCTAVE continued to develop, pilot and roll out a series of use cases within these industry groups. Although it is premature to fully assess the full impact of these interventions, preliminary results are extremely encouraging where these anticipated benefits are incorporated into future budget plans as well.

Continuing this momentum, OCTAVE also commenced work on use cases in the Beverages business of the Consumer Foods industry group and is expected to extend its efforts to the Frozen Confectionery business in the ensuing year. Data governance practices which were institutionalised across the Supermarket and Insurance businesses, were extended to the Consumer Foods industry group during the year, with defined roles being staffed by trained resources and milestones set for governing data domains of the said businesses.

The OCTAVE Advanced Analytics Academy which offers in-class room training, online courses and curated on-the-job learning for each cohort of roles linked to the advanced analytics transformation programme, has successfully trained over 80 team members in the Group in functioning in advanced analytics roles at OCTAVE and within businesses across the Supermarket and Insurance businesses and the Consumer Foods industry group. Towards the latter part of the year under review, OCTAVE also commenced independent development of use cases, with moderate supervision from the global consulting firm. Such independent implementation and delivery of use cases is aimed towards developing internal capability towards sustaining an advanced analytics practice in the Group. The capability of the division was reinforced with sustained hiring of advanced analytics professionals during the year with the staffing of data scientists, data engineers and delivery leads resulting in an increase in the overall headcount at OCTAVE, as envisaged.

INDUSTRY GROUP REVIEW

TRANSPORTATION

Industry Group Structure

Ports and Shipping

- Operation of a container terminal in the Port of Colombo as a public-private partnership on a build, operate and transfer (BOT) basis through South Asia Gateway Terminals (SAGT).
- Associate stake in Maersk Lanka, the agents in Sri Lanka and the Maldives for Maersk Line.
- Shipping agency and maritime services through Inchcape Mackinnon Mackenzie Shipping (Private) Limited (IMMS).

Transportation

- Marine bunkering and related services under Lanka Marine Services (LMS).
- Third party logistics (3PL), warehousing, trucking through John Keells Logistics (JKLL).
- DHL air express in Sri Lanka, a joint venture with Deutsche Post.
- Representation of multiple on-line and off-line airlines as general sales agents through Mack Air (MAL) in Sri Lanka.
- Travel agency and travel related services through Mackinnons Travel (MTL).
- Domestic scheduled and charter air taxi operations under the brand, 'Cinnamon Air'.
- Freight forwarding and customs brokerage through Mack International Freight (MIF).

Contribution to the John Keells Group

18%	42%	5%	3%
Revenue	EBIT	Capital Employed	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	23,941	24,687	(3)	24,919
Total equity	18,291	17,832	3	18,246
Total debt[1]	3,663	4,402	(17)	4,172
Capital employed[2]	22,118	22,237	(1)	22,418
Employees[3]	512	732	(30)	698

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover[4]	26,584	33,439	(21)	33,729
EBIT	3,347	4,178	(20)	4,406
PBT	3,343	4,087	(18)	4,245
PAT	3,246	3,962	(18)	4,182
EBIT per employee	7	6	15	6
Carbon footprint	2,557	9,261	(72)	13,808

1. Excludes lease liabilities.

2. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.

3. As per the sustainability reporting boundary.

4. Revenue is inclusive of the Group's share of equity accounted investees.

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Global trade recorded a notable contraction in CY2021, on the back of worsening economic conditions and restrictions in movement due to the COVID-19 pandemic. World merchandise trade volume contracted by 5.3 per cent in CY2020, as per the World Trade Organisation, driven by a better than expected performance towards the latter end of the year supported by improved sentiment due to successful trials of effective COVID-19 vaccines.
- Given disruptions to trade flows, global ocean freight and air freight rates recorded a notable increase during the year under review.
- The Port of Colombo (POC) handled 6.8 million twenty-foot equivalent units (TEUs) in 2020/21, a 6 per cent decline in TEUs handled against the previous year [2019/20: 2 per cent]. The contraction was primarily due to the disruptions from the outbreak of COVID-19 and the resultant impacts on economic conditions and global and regional trade.
  - Domestic TEU volumes declined by 14 per cent during 2020/21 [2019/20: negative 2 per cent] driven by a slowdown in domestic imports, restrictions in imports on select products and subdued domestic economic conditions.
  - Transshipment volumes decreased by 4 per cent in 2020/21 [2019/20: 2 per cent]. India continued to be the primary transshipment market for Sri Lanka, accounting for ~70 per cent of volumes.
  - Domestic:transshipment mix at the POC stood at 16:84 for 2020/21 [2019/20:18:82].
  - Overall capacity utilisation at the POC was ~85 per cent for 2020/21.
- Capacity enhancements at the POC:
  - The Sri Lanka Ports Authority (SLPA) will implement the development and management of the East Container Terminal (ECT). While ECT is still in development, a completed section opened in late 2020. The first phase of the project features a 450 metre berth while an additional 600 metres will be added in the second phase at a later date.
  - A consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, executed a letter of intent (LOI) to develop and operate the West Container Terminal (WCT) as a public private partnership (PPP) project.
- The Jaya Container Terminal (JCT) oil bank initiated the construction of a 3,200 MT storage tank at its facility in Colombo.

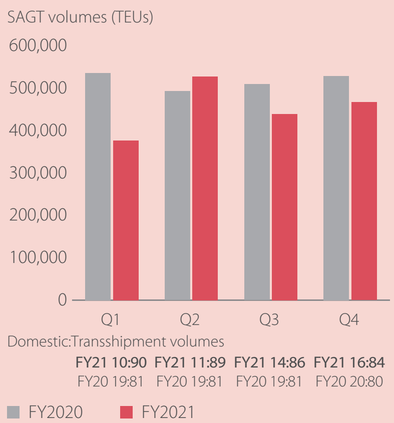
Key Policy and Regulatory Highlights

- With the onset of the COVID-19 pandemic in Sri Lanka and the resultant pressures on the economy, particularly on the currency, the Government imposed temporary import restrictions on select goods such as vehicles and non-essential items.
- Although restrictions were placed on ship managers and manning agents using Colombo as a hub for crew movement in June 2020 to contain the spread of COVID-19 in the country, these restrictions were subsequently lifted in December 2020.
- As per the Budget 2021, in order to promote the POC and the Port of Hambantota (POH) as commodity trading hubs in international trading, and to encourage investments in bonded warehouses and warehouses related to offshore business, such investments were made exempt from all taxes.

Ports and Shipping

During the year under review, the Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT), recorded a 12 per cent volume decline, handling 1.8 million TEUs [2019/20: 2.1 million TEUs]. Throughput at SAGT was impacted by restrictions in movement, both in Sri Lanka and India, which adversely affected transshipment volumes, particularly in the first quarter of the year under review. Domestic volumes and transshipment volumes at SAGT decreased by 40 per cent and 6 per cent, respectively, during the year under review.

INSIGHTS



- With the outbreak of COVID-19, overall volumes recorded a decline in excess of 40 per cent in April 2020. Post the easing of the lockdown in mid-May 2020 and the resumption in activity in India, volumes demonstrated a recovery trend, recording a decline of ~20 per cent by June 2020.
- The recovery momentum continued during the second quarter driven by an increase in transshipment volumes by 18 per cent which led to an increase in total volumes by 7 per cent.
- The resurgence of movement restrictions in Sri Lanka in the third quarter coupled with the brief industrial disruption which affected operations for a few days, impacted volumes.
- Notwithstanding this short-term impact, volumes in the fourth quarter demonstrated a recovery of 6 per cent against the third quarter of 2020/21.

INDUSTRY GROUP REVIEW

TRANSPORTATION

The ensuing productivity and efficiency improvement and capacity enhancement initiatives were rolled out during the year under review.

- SAGT became the first terminal in Sri Lanka to collaborate with 'TradeLens', a digital platform using blockchain technology jointly developed by Maersk Line and International Business Machines (IBM).
- Pioneered the implementation of an electronic delivery advice (e-DA) enabling uninterrupted, safe, and faster clearance of import consignments. This process was further enhanced with the launch of an electronic payment gateway for faster realisation of payments.
- To boost yard and gate productivity, the business commissioned 46 new terberg prime movers, 2 forklifts with a capacity of 3 tons each, 3 single lift spreaders, 12 new 40-foot trailers and refurbished 8 rubber tyred gantry (RTG) cranes to improve operational efficiency.
- Continued the trailer refurbishment project by extending the lifespan of current equipment by 5 years.
- Commenced repair activities on developing the wharf area.

The year under review marked significant developments for the POC in terms of much required capacity enhancements. The development of the East Container Terminal (ECT) will be implemented by the Sri Lanka Ports Authority (SLPA). While ECT is still in development, a completed section opened in late 2020. The first phase of the project features a 450 metre berth while an additional 600 metres will be added in the second phase at a later date.

Concurrently, further to the approval granted by the Cabinet of Ministers, the consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH in the capacity as the local partner of APSEZ executed a Letter of Intent (LOI) in March 2021 from the Ministry of Ports and Shipping and SLPA, acting on behalf of the Government of Sri Lanka, to develop and operate the West Container Terminal (WCT) in the POC as a public private partnership project.

The newly formed entity, Inchcape Mackinnon Mackenzie Shipping (Private) Limited will provide world-class shipping and maritime services at all ports.

The WCT, a part of the proposed Colombo Port South Harbour Development, encompasses a deep-water terminal with an alongside depth of 20 metres and annual capacity of ~3.0 million TEUs. The PPP will be constructed on a build, operate and transfer (BOT) basis for a lease period of 35 years. This investment will ensure continued long-term exposure to the ports business in the country which augers well for the future of the Group once it materialises.

Mackinnon Mackenzie and Company (Shipping) Limited (MMS) entered into a joint venture agreement with Inchcape Shipping Services Group Holdings Limited (Inchcape) in January 2021. Inchcape is the leading maritime services provider and is the largest independent shipping agency network in the world. The newly formed entity, Inchcape Mackinnon Mackenzie Shipping (Private) Limited will provide world-class shipping and maritime services at all ports and territorial waters in Sri Lanka.

During the year under review, MMS implemented the 'GAT-ship port call' software as the front-end system for its shipping agency business with the aim of improving productivity and aiding operations.

Maersk discontinued its 'Damco' and 'Safmarine' brands and the corresponding operations were integrated under one brand as a part of the 'Stay Ahead 2.0' strategy. The business was also able to secure a ~20 per cent market share in Sri Lanka for 2020/21. The business also invested in various digital platforms and products, such as 'customs house broker (CHB) app lite', 'Maersk flow', and 'TradeLens', with the aim of seamlessly connecting its supply chain.

COVID-19: IMPACT AND MITIGATION – PORTS AND SHIPPING

The global spread of COVID-19 impacted port operations as the contraction in trade led to a slowdown in shipping activities, port traffic and maritime trade flows. The businesses within this segment adopted cost-based strategies and continued to digitise its operations.

Impact

- Whilst the initial impact on volumes in the POC was from the lockdown in China and India, the subsequent slowdown in global and regional trade impacted the overall performance of the POC given reduced vessel calls.
- The imposition of a nationwide lockdown in Sri Lanka further exacerbated this impact, given restrictions in movement and challenges in labour which trickled down to delays in berthing, sailing, inter-terminal transfer (ITT) delays and a vessel backlog at the POC.
- Although SAGT, in line with the overall market, recorded a decline in throughput driven by the imposition of a two-month island-wide curfew, post the easing of the lockdown in mid-May 2020, activity displayed a faster than expected recovery during the second quarter of the year under review. Thereafter, although the isolation of selected high-risk areas due to an outbreak of a cluster in early October 2020 impacted the volume momentum, the business recorded a rebound in TEUs handled towards the latter end of the year under review in tandem with the relaxation of isolation measures.
- Restrictions imposed on handling foreign crew transfers impacted MMS.
- Import restrictions imposed by the Government impacted both SAGT and Maersk.
- Delays and deferral in export orders due to lockdowns in key source markets such as Europe and USA, adversely impacted export consolidation and air freight forwarding revenue at Maersk.

Measures taken

- In addition to the business continuity plans in place, SAGT developed a COVID-19 contingency plan introducing new working hours and rosters.
- Whilst SAGT operated in compliance with COVID-19 protocols of the Government and health authorities, additional measures were also rolled out to ensure the health and safety of staff liaising directly with the ship's crew and port personnel.
- The businesses rolled out various cash preservation, cost optimisation and productivity enhancement initiatives aimed at better managing its funding position.

AWARDS

- Maersk was ranked within the 'Top 40 Companies for the Year 2020' by 'Great Place to Work'.

Further to the approval granted by the Cabinet of Ministers, the consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH in the capacity as the local partner of APSEZ executed a Letter of Intent (LOI) in March 2021 from the Ministry of Ports and Shipping and SLPA, acting on behalf of the Government of Sri Lanka, to develop and operate the West Container Terminal (WCT) in the POC as a public private partnership project.

Bunkering

The Bunkering business of the Group, Lanka Marine Services (LMS), remained resilient during the year under review, despite the numerous challenges faced in light of the COVID-19 pandemic. The business was impacted by a reduction in demand for bunker fuel on the back of the COVID-19 pandemic given a reduction in vessel calls which resulted in a contraction in overall market volumes and exerted pressure on margins. However, the business proactively rolled out various cost saving and productivity enhancing measures to minimise this impact. Such initiatives also aided LMS in addressing fluctuating oil prices and regional competition. Whilst the overall decline in bunker volumes in the Sri Lankan market was ~40 per cent, the decline in bunker volumes at LMS was 20 per cent.

During the year under review, LMS gained a notable increase in domestic market share and continued to maintain its overall market leadership position within the west coast of Sri Lanka. Better inventory management, whereby the business was able to consistently import low sulphur fuel oil (LSFO) and marine gas oil (MGO) via the chartered tanker at favourable price points and quantities, helped LMS in gaining market traction.

The first tanker importing bunker fuel was docked at the POH in early April 2020, to discharge ~25,000 MT of very low sulphur fuel oil (VLSFO) into the Port's newly refurbished tanks. LMS was the first to enter into a short-term fuel contract with Sinopec Fuels of Lanka (SFOL) for the sale and purchase of 20,000 MT of the aforementioned 25,000 MT of cargo imported by SFOL. During the year under review, the business liaised with regulatory authorities to put in place necessary frameworks to allow SFOL to transfer cargo to local bunker players subject to certain conditions.

LMS also supplied 2,500 MT of low sulphur marine gas oil (LSMGO) to a Russian warship 'Boris Butoma' at the POH, post detailed planning and execution, and under strict deadlines and stringent health and safety measures.

Internalisation of technical and crew management services of both bunker barges of LMS (MT Mahaweli and MT Nilwala) commenced from August 2020 onwards, aiding the business to reduce vessel management costs. In addition to this, LMS acquired the management of 'MT Kappa Sea', the largest bunker barge in the country with a capacity of 5,000 DWT, owned by SFOL.

Tanker refueled with VLSFO at the POH anchorage via the oil barge 'Kumana' of LMS.

COVID-19: IMPACT AND MITIGATION - LMS

The setbacks faced due to the spread of COVID-19 was successfully curtailed by LMS by proactively implementing various profitability and productivity enhancing mechanisms and efficient cost management strategies.

Impact

- At the onset of the pandemic, demand for global oil weakened, resulting in a sharp decline in oil prices. Despite this initial impact, bunker demand and stability in base oil prices rebounded at a slow pace during the year in tandem with certain countries lifting travel restrictions. However, with the outbreak of subsequent waves of COVID-19 around the globe, demand noted a deterioration. The subsequent roll out of vaccinations, contributed to a recovery in oil prices towards the latter end of the year.
- Continuous discussions were held between the Organisation of the Petroleum Exporting Countries (OPEC) and non-OPEC countries regarding production cuts, further contributing to oil price volatility.
- Competition from Indian ports impacted Colombo bunker volumes leading to a decline in vessel calls.

Measures taken

- LMS maintained a consistent supply of cargo in Colombo amidst the pandemic.
- Entered into fixed forward contracts to hedge the business against potential fluctuations whilst continuing to strengthen customer relationships.
- Cost efficient marketing and commercial strategies were adopted in order to improve margins.
- Various cash management initiatives were rolled out in line with the Group directive.

INDUSTRY GROUP REVIEW

TRANSPORTATION

Logistics

The Logistics arm of the Group, John Keells Logistics (JKLL) increased its warehousing footprint by 200,000 sq.ft. during the year under review, driven by an expansion of its service offerings and customer base. The overall warehouse utilisation for the year was recorded at 87 per cent [2019/20: 96 per cent].

JKLL ventured into a new business vertical by securing Maersk container freight station (CFS) operations by setting up the initial facility centre at Thudella. The 40,000 sq.ft. facility will aid the logistic requirements of global clients of Maersk whilst enabling JKLL to enter into the apparel sector.

Further, JKLL entered into a last mile delivery business partnership with North Seven Trading (Private) Limited given the increasing demand for last mile delivery.

The business recorded a 6 per cent increase in operational throughput during the year under review. Operational throughput recorded a decline in the first quarter of the year, driven by the imposition of an island-wide lockdown. The gradual easing of restrictions thereafter, from mid-May 2020 onwards, contributed to an improvement in operational throughput. Although restrictions on imports also exerted pressure on throughput handled, increase in the local manufacturing capacity insulated this impact. Further, JKLL expanded its transport fleet operations by 5 per cent.

During the year under review, JKLL commenced the implementation of a tier-1 cloud-based warehouse management system (WMS) with the aim of digitising and optimising its logistics value chain, enhancing the visibility of its logistics operations, optimising costs and increasing productivity.

AWARDS

- Thudella distribution centre was awarded the 'Customs-Trade Partnership Against Terrorism' (CTPAT) certificate.

COVID-19: IMPACT AND MITIGATION – JKLL

Given the labour-intensive nature of operations, the outbreak of COVID-19 gave rise to significant challenges concerning health and safety of staff. The business carried out risk assessment plans and COVID-19 prevention measures to ensure the safety of its employees and continuity of operations.

Impact

- Significant challenges in labour given restrictions in movement and fears surrounding the potential transmission of the virus. Despite this, the business was able to carry out its operations with no material disruptions to operations.
- Despite the stringent measures imposed to contain the spread of COVID-19, due to the frontline nature of work, a few COVID-19 cases were identified in certain distribution centres which exerted pressure on operations.

Measures taken

- Workplace safety procedures and COVID-19 safety protocols were implemented and closely monitored. Employees were provided benefits such as personal protective equipment (PPE), transport, and accommodation facilities. Proactive action was taken on a day-to-day basis to mitigate the risk of a spread of COVID-19, in compliance with the guidelines and regulations stipulated by the health authorities, including regular random PCR tests on staff and external parties visiting the facilities over and above the legally mandated requirement.
- During the first wave of COVID-19, a part of the Enderamulla distribution centre was converted to an online order fulfilment centre within a short period of three days to aid operations of the Supermarket business.
- Currently JKLL handles supplier receipts, storage, repackaging and delivery of dry and fresh goods to 123 'Keells' outlets island-wide from four distribution centres.

JKLL ventured into a new business vertical by securing Maersk container freight station (CFS) operations by setting up the initial facility centre at Thudella.

DHL Keells

DHL (Private) Limited remained resilient despite the unprecedented challenges posed by the pandemic. An increase in outbound parcel shipment volumes and heavy weight shipments coupled with an increase in inbound volumes aided performance.

Although an increase in air freight rates coupled with the lacklustre performance of the apparel sector, on the back of COVID-19 impacted the performance in the first quarter, the subsequent resumption of travel and recovery of the apparel sector contributed to a rebound in performance. It is pertinent to note that the business maintained its position as the market leader in the industry during the year under review.

AWARDS

DHL received the following awards from 'Great Place to Work':

- Ranked within the 'Top 40 Best Companies to Work in Sri Lanka – 2020'.
- 1st place - 'Best Multinational Workplaces in Asia'.
- 'Best Multinational Corporation in Sri Lanka'.
- Gold award - 'Best Medium Sized Enterprise' category.
- Ranked within the 'Top 10 Best Companies for Millennials'.

The inauguration ceremony of JKLL - Maersk CFS operations.

COVID-19: IMPACT AND MITIGATION - DHL KEELLS

DHL Keells encountered numerous challenges with the global outbreak of COVID-19 which impacted supply chain functions. However, the business rebounded as market conditions improved.

Impact

- The island-wide lockdown imposed in March to mid-May 2020 severely impacted outbound parcel shipment volumes, although volumes recovered with the easing of lockdowns.
- Constraints in movement and inability to collect respective delivery consignments led to an overrun of capacity at the DHL service centre in Seeduwa.
- The import ban on non-essential products and import restrictions imposed by the Government impacted the inward shipment of parcels.
- Restrictions on regular commercial airline flights and cargo flights exerted pressure on shipment lead times and cargo volumes.
- Commercial airlines commanded premium rates at the outset of the pandemic to ensure connectivity to the flight network.
- Remote working conditions and technological advancements led to a decline in document related courier services.
- During the first lockdown, the apparel sector which is a key customer segment of the business was severely impacted. This was subsequently reversed as the apparel sector rebounded with fast turnaround times.
- Customer payment delays exerted pressure on the liquidity position.

Measures taken

- In order to manage the capacity constraints, the business procured containerised space to store customer consignments.
- The business worked closely with related Government entities to fast-track the clearance of shipments.
- Implemented tailor-made business continuity plans to cater to local conditions.
- Conducted several customer and market surveys to comprehend the impact of COVID-19 and the resulting changes in shipping patterns.

COVID-19: IMPACT AND MITIGATION - AIRLINES AND OTHER

The COVID-19 pandemic had an unprecedented impact on the airlines and travel businesses with operations coming to a complete standstill, both globally and locally.

Refer the Leisure industry group review for a discussion of the impact of the pandemic on the tourism sector - page 96

Measures taken

- Agile cost saving initiatives were implemented within all businesses to manage operational costs, whilst systems and processes were also critically reviewed to increase efficiency and productivity.
- Early bird offers and discounts were offered by 'Cinnamon Air' to stimulate domestic demand.
- An action plan targeting COVID-19 safety protocols was rolled out amongst the crew and frontline workers at 'Cinnamon Air'.
- Businesses explored other avenues for cash generation, such as facilitating ad-hoc international cargo operations, Gulf Air online and offline ad-hoc cargo operations, and seafarer charters at MAL and focus on new market segments at MTL.

Airlines and Other

Businesses within the Airline segment were significantly impacted by the decline in tourist arrivals due to the pandemic. The domestic charter flight operation 'Cinnamon Air' grounded its flights throughout the year, barring 6 weeks during the months of September to October 2020. The flight condition of aircrafts were maintained at stipulated levels. With the gradual recovery in consumer sentiment and domestic demand at the time, 'Cinnamon Air' resumed operations in early April 2021.

Refer the Outlook section for details on the ongoing impact of the current outbreak in Sri Lanka - Page 134

The reduction in flight frequencies on account of the pandemic, severely impacted cargo volumes at MAL. This was offset, to an extent, through cargo operations in liaison with Sri Lankan Airlines.

MTL implemented a mid and back-office software system which will streamline processes and increase staff productivity whilst facilitating advanced Business Intelligence (BI) data driven decision-making solutions.

'Cinnamon Air' grounded its flights throughout the year, barring 6 weeks during the months of September to October 2020. The flight condition of aircrafts were maintained at stipulated levels.

INDUSTRY GROUP REVIEW

TRANSPORTATION

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue*			
Transportation	19,476	26,123	(25)
Ports and Shipping	7,108	7,316	(3)
Total	26,584	33,439	(21)

**Including share of revenue of equity accounted investees.*

Transportation

- The Group's Bunkering business recorded a 28 per cent decrease in revenue during the year under review. The reduction in demand for bunker fuel on the back of the COVID-19 pandemic resulted in an 20 per cent contraction in volumes at LMS. This was exacerbated by a sharp reduction in oil prices.
- The Bunkering business accounts for over 93 per cent of the revenue composition within the industry group, excluding equity accounted investees.
- The Airlines businesses recorded a significant decline in revenue due to the COVID-19 pandemic and its resultant impacts on global and domestic travel.
- The Logistics business recorded a 27 per cent increase in revenue during the year under review, driven by revenue generated from new clients and increased velocity across facilities. The classification of the business as an essential service provider during periods of lockdown also aided the business in continuing operations with no closures.

Ports and Shipping

- The revenue decline in the Ports and Shipping sector is mainly attributable to SAGT, which recorded a volume decline of 12 per cent.
- With the onset of the COVID-19 pandemic, throughput at SAGT was significantly impacted by the lockdowns in Sri Lanka and India which affected transshipment volumes. With the easing of restrictions, the business witnessed a gradual recovery in throughput. Revenue at SAGT was also impacted by a change in the throughput mix on account of the continuing import restrictions in place in the country.

Rs.million	2020/21	2019/20	%
EBITDA*			
Transportation	1,202	1,503	(20)
Ports and Shipping	2,408	2,872	(16)
Total	3,610	4,375	(17)
PBT*			
Transportation	935	1,215	(23)
Ports and Shipping	2,408	2,872	(16)
Total	3,343	4,087	(18)

**Share of results of equity accounted investees are shown net of all taxes.*

Transportation

- The Group's bunkering business noted a 17 per cent decrease in EBITDA during the year under review due to the aforementioned decline in revenue. Multiple strategies such as forward contracts, agile pricing mechanism based on indexes with suppliers, and re-bonding cargo to other local suppliers aided the business in managing the overall impact on EBITDA.
- It should be noted that the Bunkering business recorded strong margin growth in 2019/20, particularly in the third quarter, on account of the first-mover advantage of introducing low sulphur fuel oil (LSFO) to the market.
- Profitability at JKLL was further augmented by cost management and productivity enhancing initiatives which resulted in a 42 per cent increase in EBITDA.
- The Airline businesses recorded a notable contraction in profitability, in line with its revenue decline.
- Subdued performance at DHL Keells exerted pressure on the sector's performance.
- In addition to the factors affecting EBITDA as outlined above, PBT was also favourably impacted by reduced interest expenses, particularly at the Bunkering business given the prevailing low interest rate regime and lower short-term borrowings.

Ports and Shipping

- In addition to the EBITDA impact stemming from the revenue decline, EBITDA of the Port business was further impacted as a result of the business becoming liable for income tax from September 2019 onwards and due to a brief industrial disruption, which affected operations for a few days in the third quarter of the year under review.

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Debt*			
Transportation	3,663	4,402	(17)
Ports and Shipping	-	-	-
Total	3,663	4,402	(17)

**Excludes lease liabilities.*

- The decrease in debt in the industry group is mainly attributable to a decrease in short-term borrowings at LMS given a contraction in working capital.
- Lease liabilities as at 31 March 2021 stood at Rs.164 million [2019/20: Rs.2.3 million]. Total debt including leases stood at Rs.3.83 billion as at 31 March 2021 [2019/20: Rs.4.40 billion].
- JKLL recorded a 69 per cent increase in debt and lease liabilities, primarily due to the adoption of SLFRS 16 – the accounting standard on leases.

Natural Capital

The industry group operates within internal efficiency targets and international benchmarks applicable to the industry. Conducting operations in an environmentally responsible manner, particularly through waste and emissions management, are key areas of emphasis for the businesses.

Material topics and focus areas are as follows:

Energy and Emissions Management

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

- Continuous monitoring of fuel consumption and emissions against established international benchmarks.
- Ongoing analysis of sales routes for route optimisation via the Transport Management System at JKLL.
- Ongoing replacement of traditional light bulbs with LED bulbs and traditional air conditioner units with energy efficient inverter-type units at JKLL.

LOOKING FORWARD: 2025 GOALS

John Keells Logistics set a sustainability goal to be achieved by 2024/25. The goal aims to reduce its energy usage, against the 2018/19 baseline.

Energy

10% reduction in energy consumption at JKLL Seeduwa and Enderamulla warehouses.

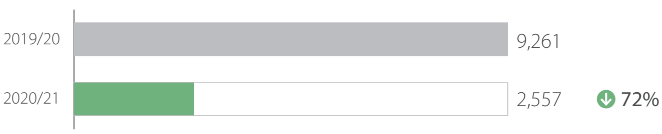
Waste Management

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

- Waste generated through bunkering operations was continuously monitored and disposed through a Marine Environmental Pollution Authority (MEPA) certified third party.
- No significant spillages were reported during the year.

Carbon Footprint (MT)



Waste Disposed (Kg)

Carbon footprint scope 1 and 2 per operational intensity factor

	2020/21	2019/20
LMS CO_2 (kg per MT of bunkers sold)	7.0	6.9
JKLL CO_2 (kg per sq.ft. of warehouse managed)	2.2	2.4
Mack Air CO_2 (kg per sq.ft. of office space)	7.9	11.5
MTL CO_2 (kg per sq.ft. of office space)	0.6	3.7
Cinnamon Air CO_2 (kg per flight hour)	2,984.3	3,827.0

Waste generated per operational intensity factor

	2020/21	2019/20
LMS waste generated (kg per MT of bunkers sold)	0.5	0.4
JKLL waste generated (kg per sq.ft. of warehouse managed)	0.4	0.3

Human Capital

The Transportation industry group strives to maintain a healthy and safe workplace across its operational facilities for its employees, in line with industry best practice. The businesses also seek to maintain zero major accidents through necessary trainings and awareness creation.

Significant steps were taken to ensure the safety of employees while ensuring uninterrupted operations amidst the COVID-19 pandemic.

Material topics and focus areas are as follows:

Talent Management

Relevance: The need to retain and continuously upgrade skills of existing staff, while developing a resource base of professionals for the country's transportation industry

Targets and initiatives during the year:

- Continuous training and skills development.
- The 13-year strategic collaboration with the Department of Transport and Logistics Management of the Engineering Faculty of the University of Moratuwa, aimed at expanding the country's resource base of professionals in the industry was halted in the reporting period due to the closure of universities and restrictions that arose during the pandemic. The programme is set to recommence in 2021/22.

INDUSTRY GROUP REVIEW

TRANSPORTATION

Health and Safety

Relevance: Providing a safe working environment in order to improve employee productivity

Targets and initiatives during the year:

Health and safety

- LMS and JKLL upgraded from the OHSAS 18001: 2007 certification to ISO 45001: 2018 for bunkering and warehousing operations.
- Fire drills and MARPOL compliant oil spill drills were carried out for employees.
- Customs Trade Partnership Against Terrorism (CTPAT) certification was obtained for JKLL's Thudella facility during the year.
- No injuries were recorded during the year under review.

COVID-19 response

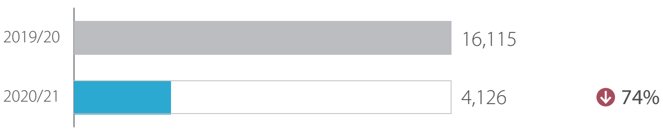
- Business continuity plans were activated across all operations with continuous monitoring and upgrades, as necessary.
- Workplace safety procedures such as temperature checks, random PCR tests and hand sanitisation facilities were rolled out.
- 'Work from home' arrangements were made available.
- JKLL conducted a comprehensive risk assessment and took measures to ensure the health and safety of operational staff in order to continue uninterrupted operations.

Number of Employees*

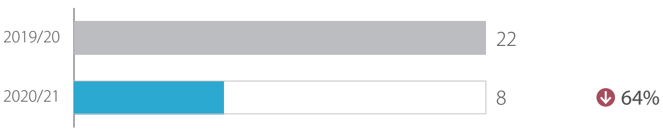
Ports and Shipping	68
Transportation	444

*Excludes equity accounted investees, barring 'Cinnamon Air'.

Training (Hours)



Training per Employee (Hours)



*Training figures were impacted due to COVID-19 restrictions.

Social and Relationship Capital

The industry group actioned several initiatives with special focus on providing support to its partners and stakeholders during COVID-19.

SIGNIFICANT SUPPLIERS

- Outsourced vehicle fleets
- Warehouse operations
- Maintenance, support services, and outsourced employees
- Suppliers of capital equipment

Businesses in the industry group assessed, as necessary, significant suppliers, including outsourced services in order to maintain mutually beneficial relationships with stakeholders and mitigate any negative sustainability impacts.

Material topics and focus areas are as follows:

Community Engagement

Relevance: Proactive community engagement towards building trust and promoting brand image

Targets and initiatives during the year:

- English language scholarships were awarded to 7 high performing students under John Keells Foundation's English Language Scholarship Programme.
- Following the outbreak of COVID-19, JKLL distributed 70 personal protection equipment (PPE) for the use of Public Health Inspectors (PHIs).
- Dry ration packs were distributed by JKLL among low-income communities with the support of the Peliyagoda police station.

Supply Chain Management

Relevance: Proactive engagement with suppliers towards building trust and promoting brand image

Targets and initiatives during the year:

- LMS deferred its annual service fee increment to its lubricant principals by one year given the difficulties faced in light of COVID-19.
- JKLL:
  - prioritised small-scale supplier payments in order to support supplier cash flows.
  - extended customer discounts based on the concessions negotiated with suppliers.
  - extended weekly PCR testing to third-party truck drivers.

CONSUMER FOODS

Industry Group Structure

Beverages

CSD | Non-CSD

- Carbonated soft drinks (CSD) under the 'Elephant House' brand.
- Non-CSD range:
  - 'Twistee', a fruit-based tea drink.
  - 'Fit-O', a fruit flavoured drink.
  - Fresh milk and flavoured milk branded under 'Elephant House'.
  - Water branded under 'Elephant House'.
  - 'Wild Elephant', an energy drink.

Frozen Confectionery

Bulk | Impulse

- Wide selection of Frozen Confectionery products, including the premium ice cream range 'Imorich' and other impulse products such as stick, cone, and cup varieties.

Convenience Foods

- Processed meat products under the 'Keells-Krest' and 'Elephant House' brands.
- A range of crumbed and formed meat products under the 'Keells-Krest' brand.
- Dry range:
  - Instant rice branded 'Ezy rice'; an affordable, easy-to-prepare and ready-to-eat single serve product.
  - 'Keells-Krest Soya Meat', a plant-based product.

Note: The above products comprise a portfolio of leading consumer brands – all household names - supported by an established island-wide distribution channel and dedicated sales team.

Contribution to the John Keells Group

11%	31%	3%	21%
Revenue	EBIT	Capital Employed	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	15,914	15,489	3	14,670
Total equity	8,755	8,073	8	7,498
Total debt[1]	2,546	3,261	(22)	2,982
Capital employed[2]	11,398	11,426	(0)	10,479
Employees[3]	1,402	1,480	(5)	1,454

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover	16,510	17,004	(3)	16,208
EBIT	2,459	2,556	(4)	2,134
PBT	2,297	2,330	(1)	1,941
PAT	2,156	1,644	31	1,356
EBIT per employee	2	2	2	1
Carbon footprint	17,619	18,357	(4)	16,484

1. Excludes lease liabilities.
2. Includes lease liabilities.
3. As per the sustainability reporting boundary.

INDUSTRY GROUP REVIEW

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Gross domestic product (GDP) in Sri Lanka contracted by 3.6 per cent in CY2020, a notable slowdown against the 2.3 per cent growth recorded in CY2019, primarily driven by reduced economic activity and dampened sentiment following the COVID-19 outbreak. Although GDP growth was negative in the first half of CY2020, economic activity rebounded thereafter recording a 1.3 per cent growth in both the third and fourth quarters of CY2020.
- Although headline inflation, as measured by the year-on-year change in the National Consumer Price Index (NCPI) remained at single digits during CY2020 similar to the previous year, the average annual inflation was recorded at 6.2 per cent, driven by notable increases in the food category.
- Core inflation stood at 4.7 per cent in December 2020, while annual average core inflation was recorded at 4.1 per cent.
- Consumer discretionary spending deteriorated significantly during CY2020, due to worsening economic conditions, unprecedented volatility and dampened consumer and investor sentiment on the back of COVID-19.
  - Whilst discretionary spending witnessed a rebound post the easing of the lockdown in mid-May 2020, the isolation of selected high-risk areas due to an outbreak of a cluster in early October 2020 impacted sentiment.
  - A notable rebound in discretionary spending was witnessed towards the latter end of the year under review in tandem with the relaxation of isolation measures.
- The LMD-Nielsen Business Confidence Index (BCI) was recorded at 126 points in March 2021, the highest over the last 12 months, placing it 20 points above the average for this period whilst also reaching an all-time average.

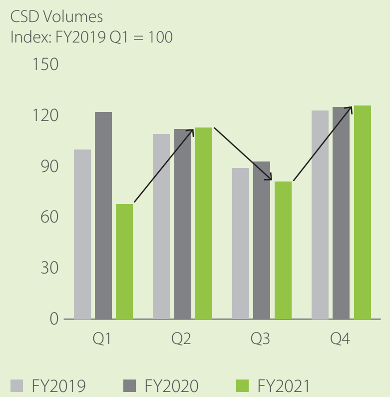
Key Policy and Regulatory Highlights

- The Special Commodity Levy on sugar was reduced from 50 rupees per kilogram to 25 cents per kilogram in October 2020.
- Revisions to Excise (Special Provisions) Duty on sweetened beverages.
  - Mineral water, aerated water, and energy drinks – the exempt quantum of sugar contained in such beverages was revised to 6 grams per 200 ml while the duty rate was revised to the higher of Rs.12 per litre or 30 cents per gram of added sugar in excess of the exempt quantity.
  - Beverages based on fruit and vegetable juice – the exempt quantum of sugar was revised to 9 grams per 100 ml while the duty rate was revised to the higher of Rs.12 per litre or 30 cents per gram of added sugar, in excess of the exempt quantity in August 2020. In October 2020, this was subsequently revised where the exempt quantity of sugar was amended to 8 grams per 100 ml while the duty rate was amended to 30 cents per gram.
  - Carbonated beverages – the exempt quantity of sugar was revised to 6 grams per 100 ml while the duty rate was revised to the higher of Rs.12 per litre or 30 cents per gram of added sugar in excess of the exempt quantity of 6 grams per 100 ml.
- Introduction of Cess and Duty on tetra packs, at 10 per cent and 15 per cent, respectively.
- Revision of the ports and airport levy (PAL) to 2.5 per cent on imported milk products, including milk powder.

Beverages

The Beverages business witnessed a challenging year on the back of the COVID-19 pandemic, recording a 16 per cent decrease in volumes during 2020/21. The volume decline was mainly attributable to the imposition of a two-month island-wide curfew, particularly during the peak sales month of April 2020. Post the easing of the lockdown in mid-May 2020, business activity displayed a faster than expected recovery during the second quarter of the year under review. Thereafter, although the isolation of selected high-risk areas due to an outbreak of a cluster in early October 2020 impacted the volume momentum, the Beverages business recorded a rebound in volumes towards the latter end of the year under review in tandem with the relaxation of isolation measures. The impact of lower volumes was offset, to an extent, through selective price increases across SKUs.

INSIGHTS



- Although CSD volumes in the first quarter of the year under review was significantly affected by the island-wide curfew, the easing of restrictions thereafter in mid-May resulted in a faster than expected recovery where volumes were on par with pre-lockdown levels by the second quarter.
- This momentum was affected by the cluster outbreak in early October and the resultant restrictions imposed, although less pronounced than originally witnessed during the first lockdown.
- Notwithstanding this, the business witnessed a recovery in volumes in the fourth quarter of 2020/21. It is encouraging to note that the business recorded its highest monthly sales volume in 42 months, in March 2021.

COVID-19: IMPACT AND MITIGATION – BEVERAGES

In light of the unprecedented challenges presented by the pandemic, the Beverages business rolled out prudent cost management strategies and reformed its business operations to serve its consumers within constraints entailing movement and social distancing.

Impact

- The imposition of the nationwide lockdown in March 2020 led to the subsequent closure of all factories till end-April 2020, which significantly impacted sales volumes.
- A notable decrease in consumer discretionary spending, restrictions in movement, and the closure of certain general trade (GT) outlets also impacted the business, particularly returnable glass bottles (RGB) sales.
- The HORECA (hotels, restaurants, catering) channel noted a significant decline, given the severe impact of the pandemic on tourism. The closure of factories and offices due to remote working conditions further impacted Beverage volumes.
- Given the impact of the pandemic on global trade, the business encountered challenges in sourcing raw materials and witnessed an increase in raw material prices and transportation charges.

Measures taken

- Extended credit lines and enabled additional allowances to distributors, to ensure the continuity of the supply chain.
- Effective inventory management to prevent stock shortages and supply disruptions.
- Implementation of a bio-bubble concept in the manufacturing facility in order to minimise the spread of COVID-19 and related production risks.
- Introduction of larger pack sizes aimed at increasing take-home consumption.
- In line with the Group, various measures aimed at preserving the business's cash flow position, managing costs, and realigning expenses were rolled out.

The business noted a change in shopping behaviour of consumers driven by social distancing and remote working practices where RGB recorded a decline in volumes, which was partially offset by a growth in PET bottles. The PET: RGB mix stood at 86:14 during the year under review in comparison to 77:23 in 2019/20.

The business continued its diversification strategy of creating a sustainable balance between its CSD and non-CSD segments. Despite the challenging environment, to ensure a sustainable business in line with evolving consumer behaviour, emphasis was placed on expanding its portfolio offering. In this regard, the business launched the following products:

- 'Cream Soda Apple Pop', the first extension of the 'Cream Soda' brand.
- 2 Litre 'Cream Soda', 'Necto', 'Orange Crush' and 'EGB' mega value packs, a 'value for money' proposition.
- 1 Litre 'Twistee Apple' under the fruit juice category of the non-CSD segment.

The business rolled out its advanced analytics transformation programme where two use cases, of several well-defined advanced analytics use cases earmarked for the Beverage business, are currently at a development stage. These use cases focus on improving efficiencies across the supply chain.

CSD:Non-CSD Volume Mix

89:11

2019/20: 87:13

AWARDS

- 'Cream Soda' was awarded 'Beverage Brand of the Year' at the SLIM Nielsen People's Choice Awards for the 15th consecutive year.

Frozen Confectionery

Despite the challenges, the Frozen Confectionery (FC) business contained the decline in volumes to a marginal 1 per cent during the year under review [2019/20: 3 per cent]. Whilst Impulse volumes recorded a marginal decline during the year, volumes in the Bulk segment remained steady, driven by in-home consumption as a result of restrictions in movement. Higher demand on the back of improving consumer sentiment particularly in the second and fourth quarters of the year also aided the business in managing the impact.

Volume growth in the first quarter, particularly the Impulse segment, was significantly impacted due to the lockdown across the country to contain the spread of COVID-19. Whilst the easing of the lockdown in mid-May resulted in a strong month-on-month recovery of volumes, the resurgence of a COVID-19 cluster in October 2020 hampered this momentum, similar to the Beverage business. However, the easing of isolation measures thereafter aided the business in managing the overall impact on volumes, reaching pre COVID-19 levels by March 2021.

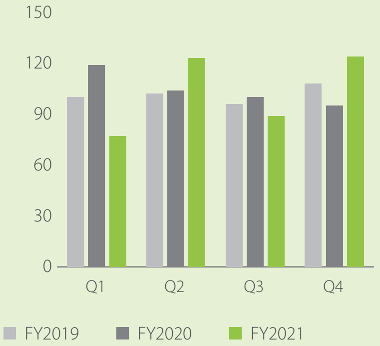
The Frozen Confectionery business recorded its highest monthly sales volume in March 2021 in its history of operations.

Performance of the Bulk segment outpaced the Impulse segment driven by an increase in take-home consumption as a result of restrictions in movement.

CONSUMER FOODS

INSIGHTS

Frozen Confectionery Volumes
Index: FY2019 Q1 = 100



- Despite the impact on Frozen Confectionery volumes during periods of restrictions, the business witnessed a significant increase in performance driven by double-digit growth in volumes during the second and fourth quarters with the easing of restrictions.
- Performance of the Bulk segment outpaced the Impulse segment driven by an increase in take-home consumption as a result of restrictions in movement.
- Volumes in the fourth quarter of the previous financial year were impacted by the island-wide lockdown for ~2 weeks in March 2020.
- The Frozen Confectionery business recorded its highest monthly sales volume in March 2021 in its history of operations.

Given the evolving market landscape, as a mitigatory measure, the business proactively introduced multi packs and larger pack sizes under the Bulk segment in order to cater to the increasing in-home consumption. The fluctuations in overall volume growth were offset, to an extent, through selective price increases in certain SKUs.

Bulk:Impulse Revenue Mix

51:49

2019/20: 53:47

COVID-19: IMPACT AND MITIGATION - FROZEN CONFECTIONERY

Despite the challenges faced by the pandemic, the Frozen Confectionery business diligently worked towards the revival of the industry and continued to sustain its market position whilst rolling out cash management and cost control measures.

Impact

- Operations of factories were halted due to the lockdown imposed in March 2020 until the end of April 2020. Manufacturing activities commenced thereafter gradually with priority being the health and safety of staff.
- With the resurgence of cases within one of the factories during the second outbreak, the business proactively closed one if its facilities for a very brief period in order to contain the spread of the virus.
- Restrictions in movement directly impacted the performance of the Impulse segment, resulting in a shift towards in-home consumption during the year under review.
- The out-of-home channel was negatively impacted given reduced social events and inbound travel.

Measures taken

- Partnered with delivery platforms such as, 'Uber' and 'PickMe' to cater to rising in-home consumption.
- Rural penetration plans were implemented to increase outlet base and business footprint.
- Routine mobile operations and door-to-door delivery facilities were made available during the lockdown period.
- Launched products such as the 1 litre and 4 litre family tubs and wonder bar multipack, to cater to the rapid rise in in-home consumption.
- Launched a variety of new products under the Impulse category to maintain momentum and customer interest.
- Rolled out prudent cost management and efficiency improvement initiatives.

New products introduced during the year.

Products launched – 2020/21

- **Popsicles:** Choco Knight stick and Cotton Candy stick
- **Cups:** Choco Nut Vanilla and Strawberry and Vanilla
- **Cones:** Blueberry Cheesecake and Almond Crunch
- **Tubs and multipacks:** Wonder Bar multi pack, Salted Caramel 1 Litre tub, and 4 Litre Mango ice cream

The operations of the state-of-the-art ice cream facility in Seethawaka, was digitally augmented during the year under review, with the 'Beelive - Connected Factory' project. This project, introduced with the aim of interconnecting all isolated plants and machinery to improve the operating efficiency, focuses on using real-time machine data to monitor the ice cream manufacturing process in order to achieve optimum performance. This is accomplished by setting parameters and KPIs to assess production visibility, energy efficiency, machine down time and product quality, amongst others. Further, the existing distributor management system (DMS) was replaced with a new DMS titled 'Surge' with enhanced facilities during the year.

AWARDS

- Gold award - 'Confectionery and Beverage Medium scale category' at the National Chamber of Exporters (NCE) Export Awards.
- 'Best Performing Exporter in Emerging Markets' at NCE Export Awards.

Convenience Foods

Keells Food Products (KFP) recorded a 6 per cent decline in volumes in 2020/21 on account of the challenging operating environment. The decline was primarily attributable to the lacklustre performance of the HORECA channel which was significantly impacted by minimal activity in the tourism industry on the back of the COVID-19 pandemic. Encouraging growth in retail sausages and meatballs, which stood at 44 per cent and 20 per cent, respectively, aided the business in managing the overall volume decline.

The business continued to maintain its market leadership position during the year under review. Modern trade accounted for 37 per cent of volumes, whilst the general trade and HORECA channels accounted for 40 per cent and 18 per cent, respectively. The aggressive retail focused drive in the processed meat category resulted in retail contribution improving to 27 per cent during the year under review [2019/20: 17 per cent].

Given challenging market conditions and subdued consumer demand on the back of the COVID-19 pandemic, the performance of 'Ezy rice' was impacted during the year under review. The introduction of new products under the dry range segment aided the overall impact of this segment on volumes in the Convenience Foods business.

KFP launched its first ever direct-to-consumer route to market (RTM) channel titled 'Meat House' to strengthen distribution streams. Further, a new DMS which includes 5S and KAIZEN initiatives were implemented to increase the operating efficiency of the business.

During the year under review, KFP focused on expanding its processed meat distribution and exploring new market segments. To this end, the business launched the ensuing products:

- Two variants of the 'Ezy rice' range, 'Dhaiya rice' and 'Chicken rice' in September 2020.
- Two sausage ranges - 'Frankie Kids Sausages' and 'Chunky Chicken'.
- Soya meat range, a plant-based meat substitute, branded under 'Keells-Krest'.

Preliminary market indications suggest that the products have been well received by the market.

COVID-19: IMPACT AND MITIGATION - CONVENIENCE FOODS

The Convenience Foods business proactively rolled out measures aimed at ensuring seamless product availability whilst also adopting cost saving mechanisms throughout its operations.

Impact

- Post the closure of factories with the imposition of the lockdown, the factory in Pannala resumed gradual operations in end March 2020 whilst the factory in Ja-Ela factory commenced operations by mid-April 2020.
- Restrictions in movement during select periods of the year under review, constrained access to small and medium scale general trade outlets and distribution networks, thereby disrupting the supply chain and exerting pressure on distributors.
- Partial shutdown of the HORECA channel due to the lacklustre performance of the tourism industry which impacted sales.
- Supply restrictions in sourcing raw materials.

Measures taken

- The online sales platform titled 'Meat House' was launched in May 2020 to enable the delivery of a wide range of products to consumer doorsteps.
- Execution of reward schemes and other focused measures to drive business within the general trade outlets.
- Whilst KFP operated in accordance with Government health directives, the business also rolled out various measures aimed at better managing operations. The business continued its production and operations without major interruptions during both lockdowns.
- Cost management and spend control measures were proactively rolled out to ensure minimal impact to the business.

AWARDS

- KFP in collaboration with the Industrial Technology Institute of Sri Lanka received the Gold Award in the Commercial category for 'Ezy rice' by the Sri Lanka Inventors Commission.

New product 'Dhaiya rice' launched during the year.

INDUSTRY GROUP REVIEW

CONSUMER FOODS

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue			
Frozen Confectionery (FC) and Beverages	13,962	14,400	(3)
Convenience Foods	2,548	2,604	(2)
Total	16,510	17,004	(3)
EBITDA			
FC and Beverages	2,836	3,056	(7)
Convenience Foods	485	352	38
Total	3,321	3,408	(3)
PBT			
FC and Beverages	1,984	2,119	(6)
Convenience Foods	313	211	48
Total	2,297	2,330	(1)

Given the unprecedented nature of the pandemic and resultant volatility of business performance during the year across the quarters, the ensuing discussion aims to provide an insight to the performance of the sectors across the quarters.

FC and Beverages businesses

	Q1	Q2	Q3	Q4
FC revenue growth (%)	(30)	29	(4)	33
FC volume growth (%)	(36)	19	(11)	30
Beverages revenue growth (%)	(43)	4	(13)	(1)
Beverages volume growth (%)	(44)	(2)	(16)	(1)
FC and Beverages EBITDA (Rs.million)	398	818	468	1,153
FC and Beverages EBITDA growth (%)	(48)	31	(21)	7

- The performance of the FC and Beverages businesses was significantly impacted in the first quarter of 2020/21 given the imposition of an island-wide lockdown which resulted in a steep decline in revenue. Restrictions in movement, particularly during the peak sales month of April 2020 resulted in a contraction of volumes, contributing to the revenue decline.
- Improved consumer sentiment on the back of a gradual relaxation of restrictions aided a faster recovery in FC in comparison to Beverages.
- With the onset of the second cluster outbreak in October 2020, revenue of the FC and Beverages businesses contracted during the third quarter of 2020/21, although notably less severe than the decline in the first quarter.
- As market conditions improved towards the latter end of 2020/21, FC recorded an encouraging volume growth especially in the month of March 2021 whilst the performance of the Beverages business remained steady in line with the fourth quarter of 2019/20. It should be noted that the fourth quarter of the comparative year included the impact of the first lockdown (two weeks in March 2020).
- Although the business has witnessed a gradual shift in consumption patterns to the Impulse segment in the past, the Bulk:Impulse volume mix remained static at 70:30 in the year under review, due to an increase in in-home consumption given restrictions in movement and health considerations.
- An increase in raw material prices along with factory related expenses which stemmed from the adherence to COVID-19 related health and safety standards exerted pressure on margins which was partially offset through stringent cost reduction measures rolled out across the FC and Beverages businesses.

Convenience Foods

	Q1	Q2	Q3	Q4
Revenue growth (%)	(22)	2	(13)	29
Volume growth (%)	(27)	(2)	(13)	22
EBITDA (Rs.million)	90	136	137	123
EBITDA growth (%)	15	23	6	250

- The modern trade channel and general trade channel recorded a 9 per cent and 26 per cent volume growth, respectively, during the year under review, whilst the HORECA channel contracted by 51 per cent given the COVID-19 impact on the tourism industry.
- Revenue trends in the Convenience Foods business was similar to that of the FC and Beverages businesses where revenue contracted in the first and third quarters of 2020/21 which was offset by an encouraging growth in the second and fourth quarters of the year under review.
- The business faced challenges in sourcing raw materials such as chicken and pork due to import restrictions, which exerted pressure on input costs. Despite this, the EBITDA margin of the business improved to 19 per cent during the year under review [2019/20: 14 per cent].
- An effective product mix, focused marketing efforts and cost saving initiatives aided the business in improving its margins. It is also imperative to note that 2019/20 was characterised by increased selling and distribution expenses as a result of branding and marketing activities for the launch of 'Ezy rice'.

The recurring EBITDA which excludes fair value gains and losses on investment property pertaining to the industry group was recorded at Rs.3.32 billion, a marginal 1 per cent decline against the previous year [2019/20: Rs.3.37 billion].

Whilst the depreciation charge of the industry group remained in line with the previous year, the business recorded notable savings in interest costs given the reduction in borrowings at CICL, as outlined below.

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Assets			
FC and Beverages	13,046	12,755	2
Convenience Foods	2,868	2,734	5
Total	15,914	15,489	3
Debt*			
FC and Beverages	2,256	2,919	(23)
Convenience Foods	290	342	(15)
Total	2,546	3,261	(22)

**Excludes lease liabilities.*

- The FC and Beverages businesses invested in ~2,500 freezers and coolers during the year under review.
- Investments pertaining to the advanced data analytics programme, a new distribution management system and internet-of-things (IOT) system at CICL, amongst others, resulted in an increase in intangible assets at the FC and Beverages businesses.
- The decrease in debt is primarily attributable to the repayment of term loans, obtained in lieu of CICL and the 'Ezy rice' manufacturing facility.
- Lease liabilities as at 31 March 2021 stood at Rs.97 million [2019/20: Rs.92 million]. Total debt including leases stood at Rs.2.64 billion as at 31 March 2021 [2019/20: Rs.3.35 billion].

Natural Capital

The Consumer Foods industry group accounts for a high proportion of the Group's energy and water consumption given the nature of its business. Therefore, the industry group places significant emphasis on monitoring and managing its environmental impact.

Whilst all natural resources are carefully monitored and performance is evaluated against industry-wide best practice and benchmarks, the industry group also strives to make continuous improvements through energy and water saving initiatives, use of renewables, and reduction in other material consumption to promote environmental stewardship.

All operations of the businesses, including supply chain management, are carried out in accordance with the Group's Environmental policies, whilst adhering to all relevant environmental laws and regulations.

Carbon Footprint (MT)

Frozen Confectionery and Beverages	13,513 MT
Convenience Foods	4,106 MT

LOOKING FORWARD: 2025 GOALS

The industry group has set sustainability goals to be achieved by 2024/25. The goal is to reduce usage by the below targets, against the 2018/19 baseline to consolidate and maintain its sustainability performance.

Energy
CCS: -1.5% CICL: -2.0%
KFP: -1.5%

Water
CCS: -1.3% CICL: -2.0%
KFP: -1.5%

Steam
CCS: -1.5%

Plastic
CCS: -3.5%

Carbon Footprint
KFP: -1.0%

** All goals are either on a per l/m^3 or per kg basis, aside from carbon footprint which is on an absolute basis.*

Material topics and focus areas are as follows:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Energy and Emissions Management

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

Energy efficiency

- Installation of a 125kW capacity variable frequency drive (VFD) for the new cold room compressor at the CCS factory in Ranala.

Renewable energy and carbon footprint reduction

- Installation of 995kW capacity solar panels at the CICL factory, with a generation capacity of over 1.2 million kWh of renewable energy annually.
- CCS continued to generate 196,341 kWh of renewable energy in the form of solar power during the year.

Certification and Awareness

- CCS obtained the ISO 14001:2015 certification for its environmental management system.
- Training sessions were conducted for employees on the importance of managing adverse environmental impacts.

INDUSTRY GROUP REVIEW

CONSUMER FOODS

Water and Effluents

Relevance: Regulatory and brand reputation implications

Targets and initiatives during the year:

Water treatment

- Reuse of water for gardening and general cleaning purposes at CCS and KFP.
- Regular water quality tests to ensure that all effluents meet the requisite water quality standards stipulated in the Environmental Protection License (EPL).
- Wastewater at factories was treated through effluent treatment plants, prior to discharge.
- Conducted sludge dewatering at CCS.
- Alignment and monitoring of selected parameters against international benchmarks.

POLYTHENE AND PLASTIC REDUCTION

CCS continued to place emphasis on polythene and plastic reduction through initiatives spanning across the supply chain and all product categories. Some of the initiatives piloted included:

- Increase in the 500ml pet bottle pack size from 12 to 24 bottles
- Reduction in the 500ml pet bottle pack wrapper size from single layer 80 micron to multilayer 60 micron

~40,000 kg of polythene reduction expected through packaging redesign once implemented

Carbon Footprint (MT)

Water Withdrawn (m^3)

Waste Disposed (Kg '000)

Carbon footprint scope 1 and 2 per operational intensity factor

	2020/21	2019/20
CCS CO_2 kg per litre produced	0.1	0.1
KFP CO_2 kg per kg of processed meat produced	0.9	0.9
CICL CO_2 kg per litre produced	0.5	0.6

Water withdrawal per operational intensity factor

	2020/21	2019/20
CCS water withdrawn - litres per litre produced	4.3	4.7
KFP water withdrawn - litres per kg of processed meat produced	20.0	16.9
CICL water withdrawn - litres per litre produced	6.4	8.4

Waste generated per operational intensity factor

	2020/21	2019/20
CCS waste generated - kg per litre produced	0.01	0.01
KFP waste generated - kg per kg of processed meat produced	0.13	0.14
CICL waste generated - kg per litre produced	0.01	0.03

Human Capital

Given its labour-intensive nature, the industry group places significant importance in managing its Human Capital, in order to ensure a safe, healthy and nurturing work environment. Emphasis is also placed on providing continuous training to develop skills and improve productivity of the employees.

Number of Employees

Frozen Confectionery and Beverages	1,004
Convenience Foods	398

Material topics and focus areas are as follows:

Training and Talent Retention

Relevance: Retaining talent and upgrading skills of existing employees towards improving overall quality and productivity

Targets and initiatives during the year:

- Provided regular feedback and training and development opportunities to employees, including training based on specific skills targeted at factory employees.
- Conducted lean management training at CCS.
- Maintained and encouraged a healthy working relationship with employee unions through open dialogue and joint consultative committees.

Health and Safety

Relevance: Labour intensive operations require focus to be placed on occupational health and safety to minimise health and safety incidents

Targets and initiatives during the year:

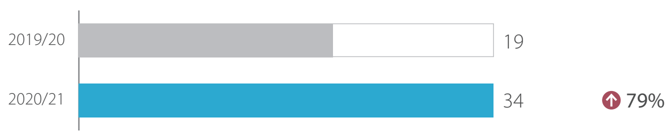
Health and safety

- CCS and KFP obtained ISO 45001:2018 certification for occupational health and safety at the factories.
- Organisational processes were streamlined through continuous monitoring and process improvements to ensure a safe working environment.
- Regular health and safety trainings were conducted for employees, which covered aspects such as firefighting, rescue, first aid, safe chemical handling and food safety.

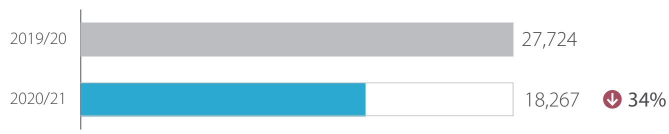
COVID-19 response

- SLSI 1672 certification was obtained for the COVID-19 safety management system.
- Workplace safety procedures such as screening employees prior to entering the premises, equipping employees with adequate sanitary facilities and transport arrangements were rolled out.
- Awareness sessions were conducted on health guidelines and safety precautions.
- 'Work from home' employees were provided with the required facilities to ensure seamless business continuity.
- Sufficient resources such as isolation rooms were set up to cater for infected persons at factories.
- Conducted awareness sessions addressing the pandemic and on positive mindfulness.
- Implemented a transition management programme during the COVID-19 pandemic.
- Conducted random PCR testing for employees on a weekly basis.

Injuries (Number)



Training (Hours)



It is pertinent to note that majority of the injuries were minor in nature and no fatalities were recorded in 2020/21.

Social and Relationship Capital

Creating value for its businesses and value chain partners through maintaining and strengthening sustainable relationships is of paramount importance to the industry group.

Raw material is sourced from domestic markets, where possible, to support the development of local economies and enhance livelihoods of local communities. This also allows the businesses to manage the cost of raw materials and maintain its social license to operate.

Product	Total annual supply (Kg)	Number of farmers
Meat	2,505,541	2,530
Spices	117,373	2,500
Cashew nuts	81,875	1,600
Vanilla	370	2,600
Ginger	28,000	800
Kithul jaggery	36,000	280
Vegetables	216,030	30
Treacle	138,225	155
Fresh milk	3,184,984	800

To further enable sustainable value creation, local farmers benefit from guaranteed volumes and price schemes offered by the businesses whilst being encouraged to adhere to environmentally friendly and efficient agricultural practices.

	Number of farmers	Total annual supply (Kg'000)	Total annual payment (Rs.million)
KFP	5,060	2,839	973
CCS	6,235	3,469	633

The industry group annually assesses significant suppliers to gauge and rectify any negative sustainability impacts as applicable.

SIGNIFICANT SUPPLIERS

- Plastic packaging suppliers
- Glass bottle suppliers
- Dairy suppliers
- Poultry suppliers
- Sugar suppliers

CCS and KFP continued to source ingredients from local farmers, with the aim of improving sustainable agricultural practices and enhancing livelihoods of diverse communities.

INDUSTRY GROUP REVIEW

CONSUMER FOODS

Material topics and focus areas are as follows:

Community Engagement

Relevance: Engagements with the community to reduce inequality, enhance livelihoods and build mutually beneficial relationships

Targets and initiatives during the year:

Livelihood development

John Keells Foundation (JKF) in collaboration with CCS continued its business-centric community empowerment initiative, John Keells 'Praja Shakthi' in Ranala. Activities organised included:

- A 2-month training programme and market linkages for 18 women engaged in producing paper products aimed at enhancing skills and livelihoods.
- 10 youth benefited from an online programme on e-marketing opportunities, conducted by expert volunteers of the Group.
- Renovation of a clay mixing machine, benefiting 26 potter families.

COVID-19 relief initiatives

- CCS and JKF donated 500 dry ration packs to low-income families via the District Secretary of Colombo.
- CCS and KFP donated 475 PPE to Medical Officers of Health (MOH), hospitals and police stations.
- In order to facilitate post-lock down resumption of daily activities, CCS supported JKF in installing handwashing stations in 3 Grama Niladhari (GN) offices, 2 schools in Ranala and the Nawagamuwa police station.
- CCS together with John Keells Office Automation donated a photocopy machine to the MOH office in Kaduwela.
- CCS donated 50,000 milk packets to low-income families, children's homes and police stations.

Vision Screening Programme

- CCS continued to support the Vision Screening Programme for school children of the Colombo district under JKF's Vision Project, in collaboration with the Department of Health Services, with 81 students in 15 schools screened and 239 eyeglasses donated.

Supply Chain Management

Relevance: Ensuring a continuous supply of raw material which reduces risk, enhances brand reputation, and benefits local businesses

Targets and initiatives during the year:

Supply chain and sustainable sourcing

CCS and KFP continued to source ingredients from 11,295 local farmers, with the aim of improving sustainable agricultural practices and enhancing livelihoods of diverse communities.

CCS

- 800 ginger farmers benefited from large quantities of dried and sliced ginger purchased at guaranteed prices despite lower prices prevailing in the market.
- 2,600 vanilla farmers benefited from the purchase of vanilla bean for natural vanilla extraction used to enhance aroma and flavour in products.
- 280 kithul jaggery farmers in the Southern province continued to benefit from the purchasing schemes introduced.

KFP

- Continued its sustainable sourcing of poultry, spices, and vegetables from 5,060 farmers.
- Sourced all ingredients locally, excluding instances of raw material shortage.
- Collaborated with suppliers to manage the impact arising from import restrictions, including knowledge sharing on potential risks and risk mitigation.

JKF and CCS staff examining the paper cutting machine in Ranala.

Intellectual Capital

The Consumer Foods industry group constantly strives for excellence in product quality whilst maintaining safety in its production process and managing its supply chain. The businesses have obtained international quality standards with assurance renewed annually through third party verification.

Material topics and focus areas are as follows:

Product Quality and Responsibility

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

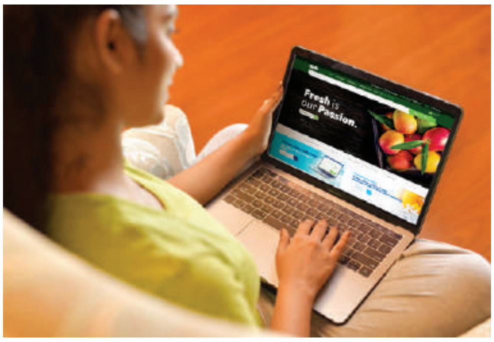
Product quality

- Responsible reformulation of recipes to ensure the highest standards of nutrition and adherence to health regulations and guidelines.
- Maintenance of ISO 22000:2015 food safety management system certification.
- Maintenance of ISO 9001 quality management system certification.
- Formulation of new products and portfolio extensions to create value-for-money products through process excellence and technological enhancements.

Responsible labelling and marketing communications

- Effective and responsible communication of nutrition facts and raw materials.
- Of the 317 stock keeping units manufactured:
  - 100 per cent carried information on the ingredients used
  - 1 per cent carried information on raw materials sourced
  - 83 per cent and 86 per cent carried information on safe use and responsible disposal of products, respectively.

RETAIL



Industry Group Structure

Supermarkets

- JayKay Marketing Services (Private) Limited (JMSL) operates the 'Keells' chain of modern retail outlets and the Nexus loyalty programme.
  - 123 outlets across the island as at 31 March 2021.
  - ~1.4 million Nexus loyalty card members.
  - Over ~400 'Keells' private-label products.
  - 7 collection centres across the country working with ~2,000 active farmers.
  - Employment for ~5,700 individuals.
  - Marketplace for ~1,000 large and small-scale suppliers.

Office Automation

- John Keells Office Automation (JKOA) is the authorised distributor for a variety of world-class office automation brands.
  - Sole distributor for Toshiba B&W and colour digital multi-function printers (MFPs) and Print-Now-Pay-Later (PNPL) digital copier rental solutions.
  - National distributor for Samsung smartphones.
  - Authorised distributor for ASUS commercial series notebooks.
  - Other products include laser printers, large format displays (LFD), digital duplicators, POS systems, receipt and label printers, tabs, accessories, mobiles, and projectors from a variety of world class brands.

Contribution to the John Keells Group

48% Revenue

41% EBIT

6% Capital Employed

40% Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	44,412	32,351	37	22,115
Total equity	4,795	3,420	40	2,395
Total debt[1]	13,048	10,928	19	10,137
Capital employed[2]	26,876	21,859	23	12,532
Employees[3]	5,864	5,115	15	4,956

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover	70,229	64,762	8	55,750
EBIT	3,287	3,194	3	1,534
PBT	1,818	1,492	22	253
PAT	1,569	1,070	47	33
EBIT per employee	1	1	(10)	0
Carbon footprint	33,168	32,480	2	27,879

1. Excludes lease liabilities.
2. Includes lease liabilities.
3. As per the sustainability reporting boundary.

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Sri Lanka recorded a 3.6 per cent contraction in gross domestic product (GDP) during CY2020, primarily on account of the COVID-19 outbreak and the resultant impacts. This was a notable slowdown against the 2.3 per cent growth recorded in CY2019. Whilst GDP growth was negative in the first half of CY2020, economic activity rebounded, recording a 1.3 per cent growth, in both the third and fourth quarters of CY2020.
- Headline inflation, as measured by the year-on-year change in the National Consumer Price Index (NCPI), was recorded at 4.6 per cent in December 2020 driven by notable increases in the food category while the annual average headline inflation was recorded at 6.2 per cent.
- Core inflation stood at 4.7 per cent in December 2020, while annual average core inflation was recorded at 4.1 per cent.
- Consumer discretionary spending deteriorated significantly during CY2020, due to worsening economic conditions, unprecedented volatility and dampened consumer and investor sentiment on the back of COVID-19. Whilst discretionary spending witnessed a rebound post the easing of the lockdown in mid-May 2020, the isolation of selected high-risk areas due to an outbreak of a cluster in early October 2020 re-impacted sentiment. A notable rebound in discretionary spending was witnessed towards the latter end of the year under review in tandem with the relaxation of isolation measures.
- Consumer confidence followed a similar trajectory to discretionary spending during the year under review. However, the LMD-Nielsen Business Confidence Index (BCI) was recorded at 126 points in March 2021 which was the highest since the onset of the pandemic in Sri Lanka.

Supermarkets

The COVID-19 pandemic resulted in unprecedented challenges for the Supermarket business such as a complete closure of outlets to the public, an overnight surge in online orders, supply chain disruptions, and challenges in mobilisation of labour to outlets, amongst others, which are discussed in detail in the ensuing section. Whilst the disruptions in the first quarter of the year under review impacted the business significantly, the easing of movement restrictions from mid-May 2020 onwards resulted in a sharp rebound in sales, albeit the short-term impact from the second COVID-19 outbreak in early October 2020. The current business momentum continues to be encouraging with a rebound in same store sales growth.

The key performance indicators pertaining to the Supermarket business are as follows:

%	2020/21	2019/20
Same store footfall growth	(31.5)	1.8
ABV growth	33.4	2.2
Same store sales growth	(8.6)	4.0

Given the change in the shopping patterns of customers where the frequency and purchase patterns have changed due to consolidation of baskets, the statistics on footfall and basket values were distorted during the year under review. As such, the below table provides the quarterly trend of the key indicators, depicting the recovery momentum from the fourth quarter onwards.

2020/21 (%)	Q1	Q2	Q3	Q4
Same store footfall growth	(55.3)	(17.2)	(33.8)	(19.1)
ABV growth	49.7	18.5	49.6	25.5
Same store sales growth	(33.1)	(1.9)	(1.0)	1.5

- Same store sales in the first quarter in the year under review was significantly impacted by the island-wide lockdown. Revenue was negatively impacted during this period, as most of the outlets remained closed to the public while online sales could not fully offset this impact.
- The easing of restrictions thereafter in mid-May resulted in a recovery of sales towards pre-lockdown levels in the second quarter.
- The cluster outbreak in early October 2020 triggered panic buying which led to an increase in same store sales and average basket value (ABV), despite the decline in footfall. The business also witnessed an increase in the penetration of online sales due to the isolation measures which were in place.
- The business recorded a recovery in same store sales, thereafter, driven by growth in ABV on the back of improved consumer sentiment, recovery in discretionary spending, and changes in shopping behaviour in light of COVID-19.
- Whilst same store sales recorded a decline due to a contraction in same store footfall, this was offset to an extent, by an increase in ABV and an increased contribution from new store sales which aided the business in managing the overall impact on top-line performance.

Outlet Footprint

123 outlets

2019/20: 109 outlets

Construction of the Kerawalapitiya distribution centre (DC) commenced during the year. The ~250,000 sq.ft. state-of-the-art facility, located on a 9-acre plot, will complement the expansion of the outlet network and further enhance and improve operational processes.

RETAIL

COVID-19: IMPACT AND MITIGATION – SUPERMARKET BUSINESS

Although the challenging circumstances that prevailed following the outbreak of COVID-19, adversely impacted the business, JMSL remained resilient in its business model, rolling out various cost management strategies and augmenting its supply chain to cater to customer requirements.

Impact

- With the imposition of a nationwide lockdown from mid-March 2020, all retail outlets in the island were closed, to which the Supermarket business was no exception.
- Given the subsequent classification of supermarkets as an essential service by the Government during the lockdown period, operations recommenced although limited to home delivery during periods of curfew.
- The limited operations of the Supermarket business, dependant on online sales, could not fully offset the negative impact on business performance during this period, as outlets remained closed to the public.
- The Supermarket business encountered challenges in catering to the unprecedented surge in demand for online order fulfilment. The challenges in handling the extraordinary website traffic were further exacerbated due to staffing constraints.
- With the easing of restrictions on movement thereon, the outlets were gradually opened to customers, in conformity with the strict health and safety guidelines issued by the Government and health authorities.
- Uncertainty surrounding the pandemic particularly on account of lockdowns, trade and supply chain disruptions, and panic buying exerted pressure on supply chain management and stock replenishment.
- Restrictions on imports on selected products imposed by the Government had a marginal impact on the direct import range of the Supermarket business.

Measures taken

- Amidst the numerous challenges on the e-commerce and resources front, the online shopping platform of 'Keells' was ramped up within a couple of weeks to handle over 15,000 orders per day as against 100 orders prior to the pandemic.
- Launched the 'Keells' mobile app availing another shopping channel for customers.
- During the first lockdown and thereafter, customer orders were also facilitated via an outbound call operation (for selected customers), WhatsApp and essential packs via the website in addition to routine online orders.
- The business continued to enforce additional sanitation, health and safety measures whilst proactively taking action to mitigate the spread of COVID-19 through routine random PCR tests for staff at outlets.
- Additionally, all 'Keells' outlets adhered to required health and safety protocols and 87 outlets obtained the Sri Lanka Standards Institute (SLSI) certification for COVID-19 safety management systems.
- Implementation of strict cost control measures to manage overheads.
- Strengthened the business's digital presence through initiatives such as continued ramping up of the website based on consumer feedback and increased engagement on social media in order to create a more personalised interaction with customers.
- Although the investments in the outlet expansion and the distribution centre was put on hold with the onset of the pandemic, this was subsequently revisited on a case by case basis, with feasibilities stress-tested under extreme sensitised scenarios prior to proceeding with the expansion.
- In order to build confidence amongst customers and reiterate the COVID-19 safety protocols undertaken by the business, the brand campaign 'We're always there for you' was launched in September 2020 covering 4 key areas: deals and own label, safety, online, and fresh.

Outlet Expansion

Whilst investments in outlet expansion were temporarily put on hold given the uncertainty surrounding the pandemic, this was subsequently revisited given the positive momentum of the business post the easing of restrictions in movement. 'Keells' expanded its outlet network with the addition of 15 outlets to its footprint during the year. The closure of 1 outlet resulted in a net addition of 14 outlets with the total outlet count as at 31 March 2021 at 123 outlets [2019/20: 109 outlets].

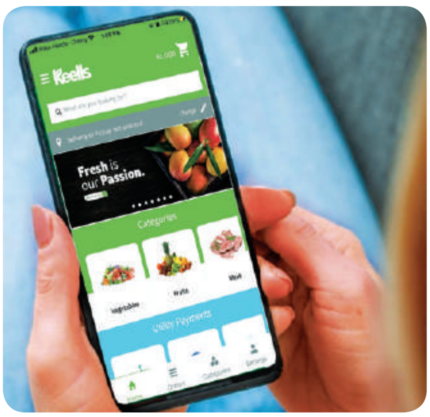
Distribution Centre

Construction of the Kerawalapitiya distribution centre (DC) commenced during the year. The ~250,000 sq.ft. state-of-the-art facility, located on a 9-acre plot, will complement the expansion of the outlet network and further enhance and improve operational processes. The proposed centre is expected to centralise 90 per cent of the current modern trade offering facilitating operations in the dry, fresh, and chilled categories, with the exception of the frozen food category. The DC will also feature a separate temperature controlled chamber. The consolidation of distribution of outlets would enable better visibility over the supply chain and reduce stock holding costs. The total investment amounts to ~Rs.4.6 billion and is scheduled for completion in the third quarter of 2021/22 with the commencement of operations thereafter.

Product and Process Initiatives

- Revamp of 'Keells' website:
    - In July 2020, the business revamped its online platform enabling a more diverse offering and real-time stock availability, amongst others, to enable a faster and better shopping experience. Real time inventory updates, enabling various refund methods and delivery tracking are some of the features available in the newly improved website for an enhanced customer experience.
    - This ramp up enabled the business to handle over 15,000 orders per day as against 100 orders prior to the pandemic, through multiple delivery channels such as pre-packed items and more personalised services to its loyalty customers.
    - Re-introduced 'Click and Collect' where customers have the option to place orders online and collect this order from a selected outlet.

- Advanced analytics transformation programme:
  - Further to the successful piloting of several well-defined advanced analytics use cases focused on the Supermarket business in 2019/20, the business commenced the roll out of select use cases towards the latter end of the year under review. It is noted that much of the piloting and roll out of identified use cases were postponed until such time business and consumer behaviour returned to a level of normalcy given COVID-19 considerations.
  - Although it is premature to fully assess the full impact of these interventions, preliminary results are promising and indicate higher than expected cash flow benefits and enhanced revenue to the business.
  - These interventions were aimed at addressing areas such as promotion effectiveness, fresh efficacy, and marketing outreach.
- Introduction of a 'Self Checkout Point' in April 2021 for select baskets using card payments to ensure a convenient shopping experience.
- Launch of 47 new 'Keells' private-label products, increasing the total SKUs to ~400 products. Private label products accounted for 4 per cent of revenue.
- 70 new products were introduced with the aim of expanding its direct import channel.
- Export quality fish were made available in over 40 outlets.



'Keells' mobile app was launched during the year.

- Expansion of the product offering through initiatives such as the introduction of chilled pizzas, a new dessert range in quick service restaurants, and fresh flowers in over 10 stores.
- The business continued to focus on an omni-channel strategy to cater to different customer segments and needs.
- Implementation of the 'Keells Advance Network Exchange' (KANE) enabling effective collaboration between suppliers to further strengthen its supply chain.
- Promotional campaigns such as the 'Keells Smart Family' campaign in collaboration with Unilever Sri Lanka and the 'Everyday low price' campaign was launched during selected periods of the year in order to expand brand reach and visibility.

Self checkout point introduced at 'Keells' outlets.

AWARDS

- 'Most Valuable Supermarket Brand' in 2020 by Brand Finance.
- Listed within the top 10 'Most Valuable Brands in Sri Lanka' by LMD and Brand Finance.
- Silver award – Service brand at SLIM Brand Excellence awards.
- Bronze award – Integrated campaign at SLIM Digis 2.0.
- Placed amongst the top 10 in the '25 Most Visible Brands on the Internet in Sri Lanka' by the Asia Pacific Institute of Digital Marketing.

Office Automation

Despite the challenging macroeconomic landscape, the Office Automation business recorded strong growth during the year under review primarily driven by the mobile phone sales which recorded double-digit growth in volumes. The segment reached a billion rupees in sales during the months of November and December for the first time in history. Growth in mobile phone sales was also aided by the introduction of various models by Samsung aimed at different tiers of the market, which enabled the business to cater to all market segments.

The copier and printer business segment experienced lacklustre growth given the adoption of remote working conditions across most businesses and in lieu of the challenges on the external front. The business also witnessed an increase in demand for laptops, given market transitions to 'work from home' practices. JKOA continued to maintain its market leadership position in the copier vertical during the year under review.

The business also carried out cost management strategies to manage its overhead costs. Such cost management initiatives were also augmented by improved margins in the mobile phone segment and better working capital management.

JKOA was able to secure an exclusive contract with ASUS as the sole distributor of the commercial ASUS desktop series during the year under review. The business was also successful in securing a number of tenders for laptops and smart boards with Government institutions.

INDUSTRY GROUP REVIEW

RETAIL

COVID-19: IMPACT AND MITIGATION – JKOA

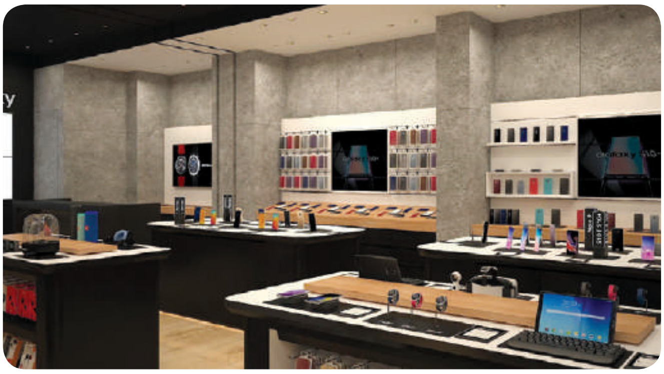
Despite the challenges brought about by COVID-19, JKOA remained resilient by adopting proactive cost reduction measures and implementing efficient operational procedures.

Impact

- The two-month lockdown from mid-March to mid-May 2021 adversely impacted business given restrictions on movement and dampened sentiment.
- Import restrictions, disruptions to global supply chains and delays in production exerted pressure on inventory and increased risks of stock shortages.
- High credit exposure increased risk of bad debts.
- Delivery of products remained a challenge, particularly in restricted areas.
- The demand for printers and copiers were impacted by remote working conditions and subdued business sentiment.

Measures taken

- The business lobbied on import restrictions given the adverse impact on business. The Government subsequently provided clearance to import within a 180-day credit period.
- In order to ensure product availability, bulk orders were placed well in advance to secure stocks.
- The business rolled out various cost and cash management initiatives such as the establishment of debt collection targets and rigorous follow ups on debt collection, effective credit arrangements and cost management initiatives in liaison with Samsung, and implementation of monitoring mechanisms on cash flows and costs.



JKOA showroom at the One Galle Face Mall.

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue			
Supermarkets	54,795	53,567	2
Office Automation	15,434	11,195	38
Total	70,229	64,762	8
EBITDA			
Supermarkets	4,144	4,267	(3)
Office Automation	1,379	841	64
Total	5,523	5,108	8
PBT			
Supermarkets	416	925	(55)
Office Automation	1,402	567	147
Total	1,818	1,492	22

Supermarkets

Given the unprecedented nature of the pandemic and resultant volatility of business performance during the year, the ensuing discussion aims to provide an insight to the performance of the business across the quarters.

	Q1	Q2	Q3	Q4
Same store sales (%)	(33.1)	(1.9)	(1.0)	1.5
Revenue growth (%)	(22)	13	9	8
EBITDA (Rs.million)	309	1,069	1,366	1,400
EBITDA growth (%)	(66)	32	4	14

- As outlined in the operational review, performance was significantly impacted in the first quarter given the imposition of an island-wide lockdown. Revenue was negatively impacted during this period, as most of the outlets remained closed to the public while online sales could not fully offset this impact.
- The easing of restrictions in mid-May resulted in a strong rebound, with new outlets contributing towards overall revenue growth whilst same store sales recovered significantly.
- The business continued its positive momentum witnessed in the second quarter, despite the resurgence of the cluster outbreak in early October and the resultant isolation measures imposed in certain areas. Significant growth was witnessed in online sales due to the isolation measures which were in place.
- Revenue growth continued to stem from a higher contribution from new outlets, whilst same store sales growth recovered further. Business momentum continued during the fourth quarter.
- The Supermarket business maintained a positive EBITDA throughout the year by adopting prudent cost management measures.

- The EBITDA margin of the Supermarket business stood at 7.6 per cent [2019/20: 8.0 per cent]. The marginal reduction stems from a lower absorption of fixed costs at existing outlets due to the decrease in same store revenue as well as a decline in merchandising income.
- Interest expenses increased marginally by 4 per cent mainly due to an increase in the notional interest charge stemming from SLFRS 16 – the accounting standard on leases. The interest cost incurred on funding of new outlets declined in comparison to 2019/20 due to the prevailing low interest regime.
- The business claimed an enhanced capital allowance in relation to the advanced analytical transformation project which resulted in a PAT of Rs.522 million, against a PBT of Rs.416 million.

Office Automation

- Despite the challenging environment, the business recorded a strong performance with revenue increasing by 38 per cent on account of a 25 per cent growth in mobile phone volumes. With the imposition of import restrictions, which increased risk of supply shortages, the business proactively rolled out measures to drive sales and became the first to market new Samsung mobile models.
- In addition to the aforementioned revenue growth, profitability was also aided by stringent cost controls and better working capital management. Initiatives such as rigorous follow-up on collections and working towards a higher proportion of sales on a cash basis, reduced the overall impact on profitability and the cash position.
- The business surpassed the one billion mark in profitability for the first time in its history with PBT at Rs.1.40 billion, a 147 per cent increase against the previous year.

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Assets			
Supermarkets	35,441	29,022	22
Office Automation	8,971	3,329	169
Total	44,412	32,351	37
Debt*			
Supermarkets	13,047	9,941	31
Office Automation	1	987	(100)
Total	13,048	10,928	19

Excludes lease liabilities.

Supermarkets

- The increase in the asset base primarily stems from the continued expansion of the outlet base and a notable increase in intangible assets.
- The business recognised Rs.1.00 billion under intangible assets in lieu of the roll out of the advanced analytical transformation programme, upgrade of the SAP system, development of the vendor collaboration portal and the 'Keells' website amongst others.
- The increase in debt is driven by higher borrowings to fund the planned outlet expansion strategy and the ongoing construction of the distribution centre.
- Lease liabilities as at 31 March 2021 stood at Rs.9.01 billion [2019/20: Rs.7.45 billion]. Total debt including leases stood at Rs.22.06 billion as at 31 March 2021 [2019/20: Rs.17.39 billion].

Office Automation

- The increase in assets is driven by an increase in inventory and trade and other receivables in line with higher operational performance.
- Whilst the cash position of the business strengthened during the year, the business was also able to reduce bank overdrafts and short-term borrowings, given improved operational performance of the business and better working capital management.

Natural Capital

Given the ongoing expansion of the Supermarket business and the inherent environmental impacts entailing such expansions, operations are conducted in accordance with the Group's Environmental policies, with strict adherence to all required environmental laws and regulations.

Carbon Footprint (MT)

Supermarkets	32,959 MT
Office Automation	209 MT

Material topics and focus areas are as follows:

Energy and Emissions

Relevance: Financial, regulatory, and brand reputation implications

Targets and initiatives during the year:

Renewable energy and carbon footprint reduction

- Installation of solar power systems in 10 'Keells' outlets, resulting in a total of 66 outlets using renewable energy as at 31 March 2021. This resulted in ~9.2 million kWh of renewable energy generated, constituting 16 per cent of the total energy requirement.
- Implementation of an energy efficient building design for 'Keells' outlets using skylights, LED lights, and efficient cooling systems.

LOOKING FORWARD: 2025 GOALS

The Supermarket business has set sustainability goals to be achieved by 2024/25. This goal is aimed at improving renewable energy usage.

Energy

125% increase in solar photovoltaic (PV) energy generation across the Supermarket business.

RETAIL

Waste and Effluent

Relevance: Regulatory and brand reputation implications and stakeholder expectations for plastic management

Targets and initiatives during the year:

Water treatment and waste management

- Reuse of wastewater for gardening and general cleaning purposes at selected 'Keells' outlets.
- Regular water quality tests conducted for all applicable outlets to ensure that all effluents meet the requisite water quality standards.

LOOKING FORWARD: 2025 GOALS

The Supermarket business has set sustainability goals to be achieved by 2024/25. This goal is aimed at reducing plastic usage.

Plastic

- 50% reduction in all single-use polythene bags at 'Keells' outlets by 2025.
- Reduce by 50% in-store single-use packaging for fresh food by ensuring they are reusable, recyclable or compostable by 2025.

'KEELLS' PLASTIC PROMISE

In line with the promise of reducing single-use plastics by 50 per cent by 2024/25, the Supermarket business undertook the following initiatives:

- In addition to the 'Keells' green bag, a range of new eco-friendly reusable bags were introduced to minimise the use of polythene bags and encourage reuse.
- BYOB (Bring Your Own Bag) and BYOC (Bring Your Own Container) initiatives continued during the year. A Rs.4 discount was offered per bag/container.
- Compostable bags were provided at fish, meat, fruit, and vegetable counters.
- Paper straws were made available at juice counters.
- 'Plasticcycle', the Group's social entrepreneurship project, encouraged customers to recycle plastic items by placing recycling bins for disposal at outlets.
- Compostable bags were used for top crust bread packaging.

MONTHLY IMPACT

- ~40,000+ re-usable bags sold
- ~40,000+ bags reused
- ~130,000+ plastic straws reduced
- ~900+ kg of plastic collected at 43 'Plasticcycle' bins at outlets

Carbon Footprint (MT)

Water Withdrawn (m^3)

Waste Disposed (Kg '000)

Carbon footprint scope 1 and 2 per operational intensity factor

	2020/21	2019/20
JMSL CO_2 kg per sq.ft. of outlet area	30.6	31.7
JKOA CO_2 kg per sq.ft. of office space	10.7	13.6

Water withdrawal per operational intensity factor

	2020/21	2019/20
JMSL water withdrawn - litres per sq.ft. of outlet area	234.5	229.7

Waste generated per operational intensity factor

	2020/21	2019/20
JMSL waste generated - kg per sq.ft. of outlet areas	3.2	2.6

** Water usage and waste generated for JKOA are not disclosed as they are not considered to be material.*

The 'Keells' Plastic Promise has committed the Supermarket business to reducing single-use plastics by 50 per cent by 2024/25.

Human Capital

Given the nature of operations, both the Supermarket and Office Automation businesses find labour retention a key challenge. As such, the Retail industry group places significant emphasis on retaining its workforce through regular training aimed at sharpening employee skills, increasing productivity, and career development. It is noted that the industry group implemented robust safety measures to ensure the health and safety of frontline staff who worked tirelessly during the pandemic.

Number of Employees

Supermarkets	5,694
Office Automation	170

Material topics and focus areas are as follows:

Health and Safety

Relevance: Ensuring a safe and healthy work environment for all employees to minimise health and safety related incidences

Targets and initiatives during the year:

Health and safety

- Occupational safety training programmes were conducted at staff inductions in Supermarkets.
- Safety gear was provided to staff in Supermarkets.
- In-store and digital awareness materials were made available to staff in Supermarkets.
- JMSL developed an e-module on preventing and addressing sexual harassment in the workplace under JKF's 'Project WAVE', which benefited 3,171 employees.

COVID-19 response

- SLSI 1672 certification was obtained for the COVID-19 safety management system at selected 'Keells' outlets.
- Transport arrangements were provided to staff, as applicable.
- Welfare packages were provided to employees during quarantine.
- Essential packs were provided to the families of employees working at outlets amidst the pandemic.
- Random PCR and rapid antigen tests were conducted for employees.
- Meal coupons were provided for staff on duty.
- Additional payments were made to staff who served during the lockdown as an appreciation of their efforts.
- Group employees were given the opportunity to join as 'freelance/part time employees' to assist with packaging and delivery operations.
- Regular safety audits were conducted at outlets to ensure adherence to all health and safety guidelines.
- Staff members were provided with personal protective equipment.
- Regular awareness sessions were conducted on safety guidelines.

Training and Talent Retention

Relevance: The need to retain talent and continuously upgrade skills of existing staff to enable delivery of superior customer service excellence

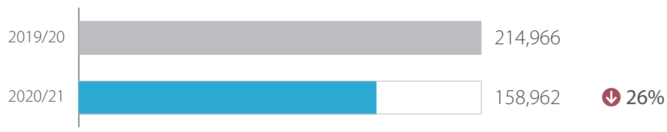
Targets and initiatives during the year:

Training and development

- Implementation of fast-track programmes that facilitate faster career progression, where selected outlet employees were presented with the opportunity to progress into higher designations within a short time frame based on performance.
- The 'Keells Retail Academy' digital learning platform provided both head office and outlet employees the opportunity to complete learning modules online and develop skills. The portal, with over 40 different courses and quizzes, has recorded over 1,800 unique users since April 2020.
- 'Train the trainer' programme is a partnership in collaboration with the Vocational Training Authority of Sri Lanka (VTA) to provide opportunities for VTA bakery and cookery instructors to enhance their operational and industry knowledge.
- Training in collaboration with National Apprentice and Industrial Training Authority (NAITA) allowing 'Keells' Supermarket team members to obtain certifications for certain levels of the National Vocational Qualification (NVQ).
- A digitisation training workshop was conducted for NAITA members, to assist them in developing their respective Learning Management System (LMS) and convert content in order to make e-learning more effective.

Injuries (Number)

Training (Hours)



It is pertinent to note that a majority of the injuries were minor in nature and no fatalities were recorded in 2020/21.

INDUSTRY GROUP REVIEW

RETAIL

Social and Relationship Capital

Given the high degree of reliance on the Retail industry group's supply chain partners, significant emphasis is placed on developing mutually beneficial relationships with all stakeholders. Whilst dissemination of knowledge and best practices support the supply chain, this also empowers the livelihoods of diverse communities and contributes to the development of the local economy. The industry group also engages in various initiatives aimed at addressing the needs of the communities.

The Supermarket business proactively engages with its diverse farmer communities, to create awareness on good manufacturing practices and to promote sustainable farming initiatives conducted through qualified third-party consultants.

	Number of farmers	Total annual supply (Kg'000)	Total annual payment (Rs.million)
JMSL	2,440	26,886	3,488

Businesses in the industry group annually assess significant suppliers, including outsourced services, to gauge and remedy any negative sustainability impacts, as applicable.

SIGNIFICANT SUPPLIERS

- Dry food product suppliers
- Frozen and chilled product suppliers
- Fresh meat suppliers
- Vegetable and fruit suppliers
- Household item suppliers
- Third party tenants (within premises)
- Janitors
- Security

Dissemination of knowledge and best practices support the supply chain, while also empowering and improving the livelihoods of diverse communities and contributing to the development of the local economy.

Farmer with fresh produce for JMSL supply.

Material topics and focus areas are as follows:

Supply Chain Management

Relevance: Ensure a continuous supply of raw material which reduces risk, enhances brand reputation, and benefits local businesses. Build ongoing and sustainable relationships in order to promote social responsibility and integration across the supply chain

Targets and initiatives during the year:

Supply chain and sustainable sourcing

- JMSL in partnership with the National Entrepreneurial Development Association, conducted 'Wyawasaayaka Saviya' - a 30-hour training programme on successfully launching new products, for 18 selected small business owners.
- 'Keells Podi Business Thena' was initiated to support small business owners by providing space at car parks at selected outlets to set up seasonal stalls by allocating special bays in 13 stores for 12 selected small-scale suppliers and using 'Keells' social media platforms to promote over 30 small businesses.
- JMSL continued to provide free technical assistance to over 2,500 farmers.
- A Farmer Management System (FMS) was established to effectively manage and track farmers to ensure productivity. Over ~4,000 farmers have registered in the system.
- JMSL supported 'Agri Saviya - Marketing Asswedduma' entrepreneurial programme through a sponsorship to build a national link to connect with Sri Lanka's grass roots, enabling potential agripreneurs to transform from today's commodity mindset to a mindset focused on agricultural value addition.
- Good Agricultural Practices (GAP) certified produce was sourced from 9 green houses. This initiative is expected to produce 100-140 kg of vegetables per week from each green house.
- An introductory programme on the Good Manufacturing Practices (GMP) certification was organised for small scale suppliers, of which a selected number of suppliers were chosen to provide guidance in preparation for the GMP certification audit.
- With the aim of aiding small-scale suppliers, processes were set up to ensure payments were released early during the pandemic.
- Donations were made to 190 farmers in Sooriyawewa during the pandemic.
- Under John Keells Foundation's 'Skill into Progress' (SKIP) programme, 12 small medium enterprise (SME) owners are being empowered with English communication skills through a 36-hour, customised, industry related skill development programme.

Community Engagement

Relevance: Build ongoing and sustainable relationships in order to promote social responsibility and integration within the community

Targets and initiatives during the year:

Community engagement and COVID-19 initiatives

- JMSL collaborated with JKF on the following strategic initiatives:
  - 37 disadvantaged school children in Sooriyawewa and Ratmalana were awarded scholarships under JKF's English Language Scholarship Programme.
  - 125 school children from Welimada, Sigiriya, Ratmalana, Sooriyawewa and Jaffna who completed the scholarship programme participated in virtual English day events and a student from Jaffna was selected as one of the winners under the North and Eastern Province category.
  - 8 disadvantaged youth were awarded scholarships under JKF's Higher Education Scholarship Programme to pursue higher studies at a State university.
  - Entry level jobs were provided for 18 youth affected by the lack of job opportunities in the aftermath of the COVID-19 outbreak.
  - A total of 100 personal protective equipment (PPE) and 2,500 KN95 masks were distributed among the Public Health Department, Hospitals and the Ministry of Health.
- Under JMSL's Food Redistribution initiative, ~40 'Keells' outlets in partnership with selected non-profit organisations, redistributed over 800 kg of excess fresh produce on a weekly basis.
- Food supplies for the Infectious Diseases Hospital (IDH), Medical Research Institute and Armed Forces were provided together with a sponsorship towards the Psychological First Aid Model for health care professionals.
- JKOA together with CCS donated a photocopy machine to the MOH office in Kaduwela to support the rising administrative requirements related to COVID-19 prevention.

~40 'Keells' outlets in partnership with selected non-profit organisations, redistributed over 800 kg of excess fresh produce on a weekly basis under JMSL's Food Redistribution initiative.

Intellectual Capital

The Retail industry group constantly strives for excellence in product and service quality whilst maintaining safety in its processes.

Material topics and focus areas are as follows:

Product Quality and Responsibility

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

Product quality, responsible labelling, and marketing communications

- JMSL obtained SLS 1432 (SMMS) certification for 99 outlets and SLS 143 (GMP) certification for 107 outlets.
- Of the 441 stock keeping units sourced by JMSL for private labelling;
  - 64 per cent carried information on the ingredients used
  - 1 per cent carried information on raw materials sourced
  - 40 per cent and 97 per cent carried information on safe use, and responsible disposal of products, respectively
- Formulation of new products and portfolio extensions to create value-for-money products.
- JKOA continued to be the authorised distributor of mobile devices for Samsung in Sri Lanka, whilst also maintaining a product portfolio of other world-renowned brands such as Toshiba, ASUS, and RISO.

Other initiatives

- The 'Keells' website was revamped to promote a better user-friendly interface experience which includes:
  - Utility bill payments
  - Orders delivered within 24 hours
  - Real time stock updates
  - Deals and offers made available online
  - Click and collect feature
  - Cash refunds on delivery and collection
- The supplier collaboration platform, 'Keells Advance Network Exchange' (KANE), supported providing the complete B2B trade life cycle starting from onboarding till payment, enhancing order visibility and order processing for suppliers.

INDUSTRY GROUP REVIEW

LEISURE

Industry Group Structure

Cinnamon Hotels & Resorts

COLOMBO HOTELS

- Two hotels offering ~34 per cent of the 5-star room capacity of Colombo.
  - 'Cinnamon Grand Colombo' - 501 rooms.
  - 'Cinnamon Lakeside Colombo' - 346 rooms.
- 'Cinnamon Red Colombo', a lean luxury hotel in Colombo – 243 rooms.
- 24 restaurants run across the three properties.

SRI LANKAN RESORTS

- Resorts spread across prime tourist locations in Sri Lanka, leveraging on the natural diversity of the country.
  - 8 resort hotels.
  - 1,022 rooms.

MALDIVIAN RESORTS

- Resorts located across the Maldives offering unique experiences and panoramic views.
  - 4 resort hotels.
  - 454 rooms.

Hotel Management

- Cinnamon Hotel Management Limited (CHML), the hotel management arm of the Leisure industry group.

Destination Management

- Two destination management companies in Sri Lanka:
  - Walkers Tours
  - Whittall Boustead Travel

Contribution to the John Keells Group

4% Revenue

(93%) EBIT

22% Capital Employed

30% Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	98,324	98,335	(0)	78,681
Total equity	52,907	59,409	(11)	62,201
Total debt[1]	20,743	16,034	29	6,093
Capital employed[2]	89,765	88,865	1	68,294
Employees[3]	3,819	4,542	(16)	4,434

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover[4]	5,374	17,754	(70)	24,113
EBIT	(7,336)	(905)	(711)	2,714
PBT	(8,527)	(1,540)	(454)	1,868
PAT	(7,598)	(1,548)	(391)	1,473
EBIT per employee	(2)	(0)	(864)	1
Carbon footprint	24,360	31,510	(23)	35,382

1. Excludes lease liabilities.

2. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.

3. As per the sustainability reporting boundary.

4. Revenue is inclusive of the Group's share of equity accounted investees.

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

Timeline: COVID-19 Impact on Leisure

Mid-March
Imposition of an island-wide curfew in Sri Lanka. Due to the closure of airports and ports for international travel, both in Sri Lanka and the Maldives, the Group suspended its hotel operations.

Mid-May
Easing of restrictions within Sri Lanka resulting in the gradual re-opening of the Sri Lankan hotels and resorts.

Mid-July
The Maldives re-opened its borders for tourism.

October
Second COVID-19 wave in Sri Lanka and imposition of curfew in select parts of the country.

As a result, domestic tourism witnessed a notable decline.

Late-January
Sri Lanka re-opened all international airports for international tourism.

'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' commenced operations as 'Safe & Secure Level 1 Hotels' for tourists travelling under the 'bio-bubble' concept.

Mar 20 | Apr 20 | May 20 | Jun 20 | Jul 20 | Aug 20 | Sep 20 | Oct 20 | Nov 20 | Dec 20 | Jan 21 | Feb 21 | Mar 21

Mid-March
Group hotels implemented aggressive cost saving and cash management initiatives to minimise the cash burden on operations.

Mid-May onwards
Surge in domestic tourism within Sri Lanka with the easing of lockdown measures.

Mid-July onwards
Group properties in the Maldives witnessed a gradual recovery post the opening of airports in the Maldives, with occupancy at ~50 per cent from December 2020 onwards.

Mid-February
Commencement of COVID-19 vaccination programme for select age groups and frontline workers. Gradual recovery in domestic consumption and tourism.

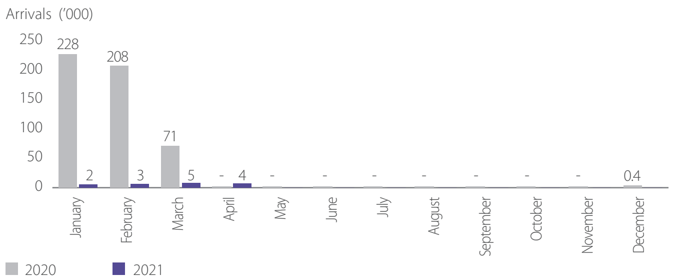
*Refer **pages 99 and 101** for the detailed impact of COVID-19 on Group properties in Sri Lanka and the Maldives.*

MACROECONOMIC UPDATE – SRI LANKA

Industry Highlights

- Sri Lanka closed its borders for inward travel with effect from 19 March 2020 to mitigate the spread of COVID-19.
- Whilst the Mattala International Airport was opened for select tourists on 28 December 2020 on a pilot project to re-commence tourism in the country, both the Bandaranaike International Airport and the Mattala International Airport was officially re-opened to tourists on 21 January 2021, under stringent guidelines and safety protocols of the health authorities.
- Against this backdrop, as evident by the graph below, tourist arrivals in CY2020 were impacted by the onset of the COVID-19 pandemic and the resultant closure of the airports.

Tourist Arrivals to Sri Lanka



- Tourist arrivals to Sri Lanka stood at 507,704 for CY2020, a 74 per cent decrease against the previous year [CY2019: 1,913,702 arrivals].
- Total arrivals during January to March 2021 stood at 9,629 arrivals compared to 507,311 arrivals recorded in the corresponding period of last year.
- Key source markets driving arrivals during this period was India, followed by the United Kingdom (UK) and Russia.

*Refer the Outlook section for details on the ongoing impact of the current outbreak in Sri Lanka - **Page 134***

COVID-19 Measures

- The Government developed and issued a comprehensive set of COVID-19 guidelines for inbound tourism.
  - Tourists arriving at present are required to follow rigorous procedures and health and safety protocols and are required to stay at Government approved hotels, referred to as 'Safe & Secure Level 1 Hotels', until the completion of the applicable period of quarantine. Quarantined guests are permitted to travel to select attractions, declared as 'bio-bubble' areas, subject to quarantine requirements.
  - An independent audit firm was appointed to conduct detailed audits for 'Safe & Secure' certification.
  - The Australian Aid programme through Skills for Inclusive Growth (S4IG) conducted a pandemic preparedness course under the direction of the Sri Lanka Tourism Development Authority (SLTDA) targeting small and medium sized enterprises of the hospitality industry.
- Various relief measures were made available to the tourism sector by the Government, via the Central Bank of Sri Lanka. This included debt moratoria on interest and capital repayments, working capital, overdraft and trade financing facilities, moratoria on utilities, and interest rate caps, amongst others.

LEISURE

MACROECONOMIC UPDATE – SRI LANKA

Key Policy and Regulatory Highlights

- Inbound tour operators registered with SLTDA were exempt from value added tax (VAT) with effect from 1 April 2020, subject to Parliamentary approval.
- The Government has proposed amendments to the Tourism Act, which includes the amalgamation of different functions of Sri Lanka Tourism under one authority, which is currently under discussion with various stakeholders.

Awards

Sri Lanka continued to gain traction during the year, securing numerous awards and accolades:

- Received a 'Safe Travels Stamp' from the World Travel and Tourism Council.
- Awarded 'World's Leading Emerging Tourism Destination 2020' and 'Asia's Leading Adventure Tourism Destination 2020' at the World Travel Awards 2020.
- Listed as one of the 'Best Holiday Destinations for 2020' by The Times, UK.
- Ranked amongst CNN Travel's '20 Best Places to Visit in 2020'.
- Awarded 'Back on the Map' award at Wanderlust Travel Awards 2020 in London.
- Featured as a 'Top Destination to Travel in February 2020' by Condé Nast Traveller, Middle East.
- Rated as the second-best destination after Italy, at USA and UK Condé Nast Traveller magazine Readers Choice Awards 2020.

The former 'Taprobane' restaurant at 'Cinnamon Grand Colombo' was re-opened as 'Plates'.

Cinnamon Hotels & Resorts

Colombo Hotels

In line with the overall industry, the Colombo Hotels segment was severely impacted following the outbreak of COVID-19, with operations coming to a complete standstill for a period of over 3 months. Occupancy, average room rates and meetings, incentives, conferences and exhibitions (MICE) events declined to a record low during the year under review. However, with the resumption in domestic activity following the easing of lockdown measures, the segment noted an increase in food and beverage and banqueting activities. Whilst the isolation measures adopted by the authorities due to the second wave of the COVID-19 outbreak in early October 2020, dampened this momentum, the subsequent gradual easing of restrictions enabled the segment to gather momentum.

Given that the Colombo Hotels segment is dependent on business travel, room revenue at all properties across the Colombo Hotels segment were negatively affected.

The former 'Taprobane' restaurant at 'Cinnamon Grand Colombo' which was closed for refurbishment following the terrorist explosion that occurred on Easter Sunday, 21 April 2019, was re-opened as 'Plates' – a 24-hour gourmet dining venue with an unparalleled collective of tastes and flavours from around the world.

Given the public's increased in-home consumption due to movement restrictions, the Colombo Hotels segment launched 'Flavours', a restaurant delivery platform offering a variety of cuisines from restaurants and cafés of 'Cinnamon Grand Colombo' and 'Cinnamon Lakeside Colombo' to further augment its food and beverage offering and reach.

Refer the Property industry group review for a discussion on 'Cinnamon Life' - Page 109

AWARDS

- LMD's Most Valuable Hospitality Brand in Sri Lanka 2020.
- Sri Lanka's Leading Business Hotel at the World Travel Awards – 'Cinnamon Grand Colombo'.
- Booking.com - Traveller Review Award - 'Cinnamon Grand Colombo', 'Cinnamon Lakeside Colombo', and 'Cinnamon Red Colombo'.
- TripExpert - Expert's Choice Award - The Best Hotel in Colombo – 'Cinnamon Red Colombo'.

Sri Lankan Resorts

Whilst the closure of airports, imposition of nationwide lockdowns and restrictions in domestic travel significantly impacted the Sri Lankan Resorts segment, similar to several other countries, the gradual resumption of domestic travel post the easing of restrictions in movement was encouraging. Although the Sri Lankan airports remained closed for foreign arrivals till end-January 2021, the resumption of domestic travel continued during the year, with all properties in the Sri Lankan Resorts segment recording an encouraging increase in occupancy. Although the cluster outbreak of COVID-19 in Sri Lanka in early October impeded this recovery, to an extent, the subsequent easing of restrictions aided the segment in gathering pace.

The SLTDA initiated a post COVID-19 action plan to revive the tourism sector. In furtherance to this, the Government opened the airports for international travel subject to the adherence to stringent guidelines. Such regulations stipulate that tourists are required to stay at Government approved hotels, referred to as 'Safe & Secure Level 1 Hotels', until the completion of their quarantine period. 'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' were operated as 'Safe & Secure Level 1 Hotels' under these guidelines and protocols, until the recent outbreak.

'Hikka Tranz by Cinnamon' was closed for refurbishment during the year under review, for a structural repair which was earmarked prior to the outbreak of the pandemic. 'Cinnamon Red Kandy', a joint venture with Indra Traders (Private) Limited is currently under construction and will be opened in the second half of 2022/23.

AWARDS

- 'LEED Platinum' status by the United States Green Building Council – 'Cinnamon Bentota Beach'
- Gold award at the South Asian Travel Awards (SATA) – Leading riverfront hotel/resort category – 'Cinnamon Citadel Kandy'
- Silver award at SATA - Leading wildlife lodge – 'Cinnamon Wild Yala'
- Silver award at SATA – Leading F&B hotel/resort – 'Cinnamon Bey Beruwala'
- Bronze award at HSMAI Adrian Awards - Integrated marketing plan and recovery campaign – 'Cinnamon Hotels & Resorts'

COVID-19: LEISURE - IMPACT AND MITIGATION AT PROPERTIES IN SRI LANKA

With the onset of the COVID-19 pandemic in Sri Lanka, the country witnessed the imposition of stringent measures to control the transmission of COVID-19 and, as a result, closed its airports for tourist arrivals and restricted domestic travel from mid-March 2020 onwards. Due to the absence of tourist arrivals and the restrictions in movement in lieu of the lockdowns imposed by the Government, the Group suspended its operations in the Sri Lankan and Maldivian Resorts segments and significantly curtailed operations in the Colombo Hotels segment, thereby saving on operating costs. In addition, the businesses rolled out proactive cost containment and productivity improvement measures aimed at managing its funding position.

It is noted that the full complement of the Group's hotels was available for operations just prior to the onset of the pandemic.

With the gradual relaxation of restrictions and the easing of the lockdown from mid-May 2020 onwards, all hotels in Sri Lanka, with the exception of 'Hikka Tranz by Cinnamon', were opened to the public from June 2020 onwards, in accordance with the stringent health and safety guidelines issued by the Government.

The aforementioned relaxation of restrictions contributed to an increase in domestic activity, with a gradual resumption in domestic travel contributing positively to the performance of the industry group. The recovery in domestic tourism was hampered following the second wave of the COVID-19 outbreak in early October 2020, which impacted all properties in Sri Lanka. The latter end of the period under review was characterised by positive developments such as the roll out of COVID-19 vaccines, re-opening of both international airports in Sri Lanka for tourism coupled with better sentiment.

Impact

- Similar to global tourism, the Leisure industry group was significantly impacted, with limited or no operations at all properties during most parts of the year.
- Post the easing of restrictions in mid-May, all properties in the Sri Lankan Resorts segment recorded an encouraging increase in occupancy, driven by a resumption in domestic travel, albeit the impact of the second outbreak in October 2020.
- The uptick in domestic activity, during this time, translated to an increase in food and beverage and banqueting revenue in the Colombo Hotels segment, although restrictions in guest count at gatherings hampered potential revenue.
- Closure of airports and increase in virtual business platforms adversely impacted MICE tourism, which had an adverse impact on the Colombo Hotels segment in particular.
- Usage of other ancillary services in the hotels, such as spas, gymnasiums and pool facilities were restricted which had a negative impact on revenue.

Measures taken

Measures in liaison with regulatory and tourism authorities

- Secured relevant compliance certifications from both local and international organisations certifying adherence to applicable COVID-19 standards. 'Cinnamon Hotels & Resorts' were stamped safe by the World Travel and Tourism Council (WTTC). Recognised by the United Nations World Tourism Organisation (UNWTO), the stamp allows tourists to travel whilst ensuring their safety.
- Obtained the 'Safe & Secure' compliance certification from SLTDA to resume operations post COVID-19.
- Conceptualised and executed a detailed crisis management plan in liaison with national tourism organisations, such as the WTTC promoting Sri Lanka as a safe destination.

Refer the Outlook section for details on the ongoing impact of the current outbreak in Sri Lanka - Page 134

Measures adopted by 'Cinnamon'

- Established business continuity plans and introduced new working methods for staff, prioritising health and safety guidelines. Emphasis was also placed on staff training and development.
- Implementation of proactive cost management initiatives and effective management of working capital requirements. Where applicable, companies secured relief measures extended by the Government and the Central Bank to help ease the financial position further.
- Ensuring the health and safety of Group employees and guests continued to be the Group's immediate priority. Introduced 'Cinnamon Care' – the standard for cleanliness and safety in hotels and resorts to ensure the safety of travellers and contain the spread of COVID-19.
- 'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' were operated as 'Safe & Secure Level 1 Hotels' under these guidelines and protocols, until the recent outbreak.
- Given the slowdown in domestic tourism due to the current outbreak of COVID-19 cases, three Sri Lankan hotel properties are being used as intermediate care centres (ICC) for the treatment of asymptomatic patients.
- In order to capitalise on opportunities in domestic tourism, various products such as weekday/ weekend deals and flexible cancellation policies etc. were implemented.
- Conceptualised and assisted national tourism organisations with the introduction of the 'See Now-Travel Later' campaign: a crowdsourcing social media campaign for Sri Lanka. Due to the cluster outbreak in late April 2021, the campaign was extended as 'See Now-Experience Later'.
- Conducted the 'Sri Lanka is open' promotional video to maintain effective communication among travellers.
- Developed an informative web page extension for travellers, with real-time COVID-19 updates.
- In gratitude to healthcare workers, offered 1,000 complimentary full board holiday packages at the Sri Lankan Resorts segment.
- In order to cater to the surge in in-home demand for food and beverage offerings within the Colombo Hotels segment, the segment introduced the online food delivery platform 'Flavours', partnered with third party delivery platforms, 'Uber' and 'PickMe' whilst also offering innovative and curated meal options to ensure a superior culinary experience.
- With the concept of 'Work From Anywhere' becoming a reality, meeting and conference facilities were converted to office spaces.

INDUSTRY GROUP REVIEW

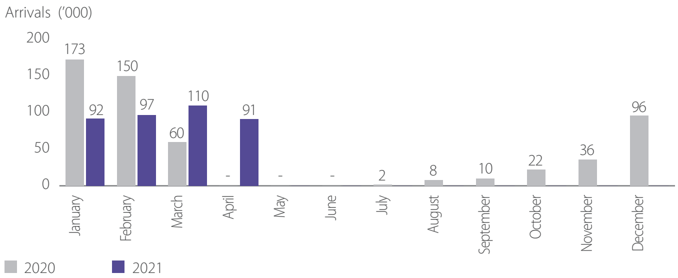
LEISURE

MACROECONOMIC UPDATE – THE MALDIVES

Industry Highlights

- With the outbreak of COVID-19 in the first quarter of CY2020, all international airports in the Maldives were closed for tourists with effect from 12 March 2020.
- Although the Maldivian airports were opened for leisure and business travel from 15 July onwards, arrivals into the country were slow to gather momentum given air travel restrictions in key source markets. As evident in the below graph, the industry witnessed an uptick in tourism in the Maldives subsequently.

Tourist Arrivals to Maldives



  - The momentum in arrivals continued with ~300,000 tourists visiting the Maldives between January and March 2021. This is despite an outbreak of the new variant of COVID-19 which resulted in cancellations in bookings from the UK in the month of January 2021, a key source market for the Maldives.
- The new International Passenger Terminal Building at the Velana International Airport is currently underway. This transformation enables the airport to handle up to 7.5 million passengers annually and addresses the space constraints faced by the existing terminal. Construction of this project is set to be completed by CY2022.
- The new Sea Plane Terminal, which commenced operations in November 2019, continues to be underway.
- Implementation of 'Maldives Border Miles' - a three-tiered loyalty programme for tourists. Effective from January 2021, the loyalty programme enables registered tourists to earn points by travelling to the Maldives. Points are based on criteria which entails frequency of travel and duration of stay, amongst others.
- The Maldives was listed in Lonely Planet's List of 'Top Six Destinations to Travel in 2021'.

COVID-19 Measures

- With effect from 20 April 2021, tourists fully vaccinated by a COVID-19 vaccination recognised by the WHO, Emergency Use Listing (EUL), the Maldives Food and Drug Authority, or any other approved authority of the respective countries, two weeks prior to travelling, are exempt from the previous requirement of presenting a negative PCR on arrival and serving 10-day quarantine on arrival.
- Unvaccinated tourists are required to present a negative PCR test taken within 72 hours of departure.

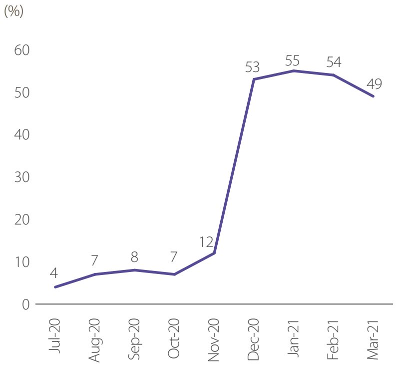
Water bungalows at 'Ellaidhoo Maldives by Cinnamon'.

Maldivian Resorts

In adapting to the extraordinary circumstances that prevailed following the global outbreak of the COVID-19 pandemic, the Maldivian Resorts recovered relatively faster owing to the remote geographical structure of the country and health measures adopted by the Government.

The Maldives re-opened its borders for tourism, for both leisure and business travel, on 15 July 2020. Consequently, 'Cinnamon Dhonveli Maldives' re-commenced operations in mid-July whilst the remainder of the Group's Maldivian Resorts were gradually opened over the ensuing weeks. Although arrivals were slow to gather momentum immediately post the opening of the airports, the subsequent relaxation of global travel restrictions, particularly in key source markets, contributed to a rebound in performance of the Maldivian Resorts segment, resulting in an encouraging recovery in occupancy, as evident in the graph below. The segment also witnessed an increase in the average duration of stay in comparison to CY2019.

Maldivian Resorts - Occupancy Rates



During the year under review, the first-ever immersive live stream dive experience was hosted by 'Cinnamon' as a national initiative for the Maldives to showcase its natural diversity, and diving attractions and to engage with prospective tourists.

AWARDS

- Silver award at the South Asian Travel Awards (SATA) - Leading surf hotel/ resort category – 'Cinnamon Dhonveli Maldives'
- Green Globe Certification – 'Cinnamon Dhonveli Maldives' and 'Ellaidhoo Maldives by Cinnamon'

COVID-19: LEISURE -IMPACT AND MITIGATION AT MALDIVIAN RESORTS

The Maldives declared a state of public health emergency from 12 March 2020, resulting in restrictions on tourism, non-essential travel, and curtailment of business activity. As a result, the Maldives closed its borders for travel and re-opened the airports for tourist arrivals only on 15 July 2020. Whilst resorts and hotels located at uninhabited islands were opened to tourists from 15 July 2020, properties located in inhabited islands recommenced operations on 1 August 2020. The geographic advantage of ~1,200 separate islands, which naturally ensures social distancing among tourists, as each island operates as its own resort, coupled with safety measures adopted by the Maldivian Government, spurred interest.

Impact

- Hotel operations were suspended for a period of over 4 months, adversely impacting the hotels.

Measures taken

- Similar to the hotels and resorts in Sri Lanka, the ensuing measures were undertaken:
  - Stringent cost saving measures.
  - Aggressive marketing and promotional campaigns including the 'book now, stay later' campaign and various other campaigns in collaboration with travel partners.
  - Introduced 'Cinnamon Care' standards.
  - Roll out of business continuity plans.
  - Staff training and development.
- All four Maldivian Resorts received the 'Safe Travels Stamp' from WTTC in recognition of the stringent safety protocols established.

Hotel Management

During the year under review, the Group constructed a unified organisational structure that will ensure an even more focused leadership and synergised approach across all hotels under 'Cinnamon Hotels & Resorts'. This new approach encompasses one 'Cinnamon' organisation as opposed to separate sectors as City and Resorts - Sri Lankan and Maldivian. Hotels are viewed holistically, and not within separate verticals, with better allocation of resources and services, thereby providing compelling customer experiences across the brand. In furtherance of this unified organisation structure, the senior leadership team of 'Cinnamon Hotels & Resorts' was strategically realigned.

'In Situ – An Intimate Bawa Experience' organised in collaboration with the Lunuganga Trust and 'Cinnamon Bentota Beach'.

Destination Management

The operating environment of the Destination Management business was adversely impacted by the decline in tourist arrivals on account of the COVID-19 pandemic. In order to strengthen regional presence and increase market visibility in the Indian market, Walkers Tours established ties with Indian inbound travel partners during the year under review. Country representatives were also appointed for key markets, entailing UK, Germany, France, Middle East, and India, in furtherance of this strategy. The business also invested in its digital strategy by expanding the online B2B booking segment and routinely circulated newsletters on COVID-19 updates in Sri Lanka. During the year under review, both Whittall Boustead Travel and Walkers Tours operated as a centralised unit which resulted in significant savings on overhead costs.

AWARDS

- World Travel Awards 2020/21 - Leading Destination Management Company in Sri Lanka

Cinnamon Events

'Cinnamon' events were significantly curtailed in the year under review given COVID-19 considerations. In response, the Group supported social distancing and health and safety regulations imposed by the Government by hosting most of its events virtually. The 'Future of Tourism', a bi-annual conference organised as a thought leadership initiative for the Sri Lankan travel and tourism industry, was launched as a virtual conference.

In July 2020, the inaugural event 'In Situ – An Intimate Bawa Experience' was organised in collaboration with the Lunuganga Trust and 'Cinnamon Bentota Beach' to commemorate 101 years of the architectural visionary of the late Geoffrey Bawa. He was also the original designer of 'Cinnamon Bentota Beach' in the 1960s. In September 2020, 'Cinnamon Bentota Beach' in partnership with the Gratiaen Trust hosted 'Literary Weekend' featuring some of Sri Lanka's prominent award-winning authors.

INDUSTRY GROUP REVIEW

LEISURE

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue*			
Colombo Hotels	1,631	5,286	(69)
Sri Lankan Resorts	958	4,141	(77)
Maldivian Resorts	2,706	5,390	(50)
Destination Management	67	2,880	(98)
Hotel Management	12	57	(78)
Total	5,374	17,754	(70)

** Including share of revenue of equity accounted investees.*

- As outlined in detail in the Operational Review, the outbreak of the COVID-19 pandemic and the resultant closure of airports and restrictions on global travel, had an adverse impact across all the Leisure businesses, leading to a significant decline in revenue.
- The gradual resumption in domestic travel with the easing of movement restrictions locally by the second quarter, aided the recovery of the Sri Lankan Resorts segment.
- Revenue in the Colombo Hotels segment stemmed from food and beverage and banquet operations whilst MICE revenue was adversely impacted by a decline in MICE tourism.
- Although tourism to the Maldives was slow to gather pace post the opening of its borders in mid-July 2020, the subsequent relaxation of global travel restrictions, particularly in key source markets, contributed to a rebound in performance of the Maldivian Resorts segment, resulting in an encouraging recovery in occupancy. During the fourth quarter of the year under review, revenue surpassed the one billion mark recording Rs.1.70 billion of revenue in tandem with growing occupancy.
- The decline in revenue of the Destination Management segment is due to the decrease in tourist arrivals in line with the overall market.
- The Hotel Management segment recorded a decline in revenue as a result of lower management fees and marketing fees given the subdued performance across hotels, as outlined above.

Rs.million	2020/21	2019/20	%
EBITDA*			
Colombo Hotels	(1,370)	553	(348)
Sri Lankan Resorts	(1,347)	474	(384)
Maldivian Resorts	(227)	1,454	(116)
Destination Management	(279)	(123)	(127)
Hotel Management	(349)	(31)	(1,032)
Total	(3,572)	2,327	(253)

** Share of results of equity accounted investees are shown net of all taxes.*

Rs.million	2020/21	2019/20	%
PBT*			
Colombo Hotels	(1,943)	(58)	(3,246)
Sri Lankan Resorts	(2,421)	(294)	(724)
Maldivian Resorts	(3,378)	(954)	(254)
Destination Management	(312)	(87)	(258)
Hotel Management	(473)	(147)	(221)
Total	(8,527)	(1,540)	(454)

** Share of results of equity accounted investees are shown net of all taxes.*

- The primary drivers for the decrease in profitability were the aforementioned factors impacting revenue.
- Various cost saving mechanisms were implemented focusing on the liquidity position of all segments within the industry group. This enabled the businesses in managing its cash position and minimising a further impact on profitability.
- 'Cinnamon Lakeside Colombo' and 'Cinnamon Grand Colombo' made impairment provisions for debtors which impacted the performance of the Colombo Hotels segment.
- The recovery of the Maldivian Resorts segment in the latter end of the year under review, was encouraging with the segment recording a positive EBITDA, as all four properties in the Maldives recorded positive EBITDA from December 2020 onwards. Accordingly, EBITDA of the Maldivian Resorts segment stood at Rs.26 million and Rs.573 million during the third and fourth quarters of 2020/21, respectively.
- The recurring EBITDA of the industry group, excluding fair value gains/losses on investment property (IP) amounted to a loss of Rs.3.59 billion, a notable decrease against the previous year [2019/20: Rs.2.31 billion].
- The Maldivian Resorts segment recorded an increase in the lease amortisation charge for the year, given the full operation of 'Cinnamon Velifushi Maldives' and 'Cinnamon Hakuraa Huraa Maldives' as opposed to the previous year where the resorts were only operational in the latter end of 2019/20. In line with accounting standards the lease amortisation charge for 'Cinnamon Hakuraa Huraa Maldives' was capitalised during the refurbishment of the property in 2019/20.
- The Sri Lankan Resorts segment entails a depreciation charge for 12 months of operations of 'Cinnamon Bentota Beach' for 2020/21, in contrast to 2019/20 which only entailed depreciation for approximately a quarter.
- Interest expenses recorded an increase during the year under review, due to increased borrowings across the industry group. However, the cash flow impact of interest expenses were minimal as most loans were offered a moratorium on its debt service.

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Assets			
Colombo Hotels	34,754	35,706	(3)
Sri Lankan Resorts	18,809	19,869	(5)
Maldivian Resorts	41,888	39,337	6
Destination Management	1,223	2,063	(41)
Hotel Management	1,650	1,360	21
Total	98,324	98,335	(0)

- The industry group temporarily froze all non-essential recurring capital expenditure due to the COVID-19 pandemic.
- 'Hikka Tranz by Cinnamon' recorded an increase in assets due to capital work-in-progress costs associated with the ongoing refurbishment which was planned for prior to the outbreak of the pandemic.
- Stringent cost optimisation initiatives were rolled out such as focused receivables collection coupled with increased borrowing which enabled the businesses to maintain a stable cash position.
- Both Sri Lankan Resorts and Maldivian Resorts proactively focused on debtor collections, particularly by transitioning into cash-based transactions which led to a decline in trade and other receivables during the year under review.
- 'Cinnamon Dhonveli Maldives' recorded a significant increase in cash and cash equivalents as a result of increased cash collections during the fourth quarter 2020/21. Given that the functional currency of the Maldivian Resorts segment is in USD, the depreciation of the LKR against the USD surrounding the COVID-19 pandemic, also contributed to a marginal increase in the asset base.
- Reduced activity in the Destination Management sector contributed to an erosion of cash in the businesses which negatively affected the asset base.

Rs.million	2020/21	2019/20	%
Debt*			
Colombo Hotels	1,018	368	177
Sri Lankan Resorts	4,491	3,269	37
Maldivian Resorts	13,741	11,463	20
Destination Management	353	427	(17)
Hotel Management	1,139	507	125
Total	20,743	16,034	29

Excludes lease liabilities.

- The industry group obtained term loans and overdraft facilities in order to sustain working capital requirements and to a lesser extent, fund ongoing capital expenditure. Majority of the facilities were obtained through the COVID-19 relief measures extended by the Government, such as through the 'Saubhagya' scheme.
- Lease liabilities as at 31 March 2021 stood at Rs.16.12 billion [2019/20: Rs.13.42 billion]. The increase in leases primarily stems from an extension to the lease at 'Cinnamon Dhonveli Maldives' and due to the translation impact given its USD denomination. Total debt including leases stood at Rs.36.86 billion as at 31 March 2021 [2019/20: Rs.29.46 billion]. The increase in debt in the Maldivian Resorts segment was attributable to overdraft facilities obtained to manage working capital requirements and the impact of the depreciation of the LKR against the USD.

Natural Capital

Given the reliance of the industry group on natural resources and Sri Lanka's rich biodiversity in positioning the destination, the industry group strives to operate in accordance with the Group's Environmental policies and the 'Cinnamon' sustainability strategy which facilitates functioning with minimal impact to the environment and strives to ensure sustainable value creation for all stakeholders.

LOOKING FORWARD: 2025 GOALS

In furtherance to the efforts made towards the previous 2020 goals, 'Cinnamon Hotels & Resorts' have set reduction targets against the 2018/19 baseline to be achieved by 2024/25, to consolidate and maintain its sustainability performance.

Energy -4%

Water -1%

Plastic -50% single-use plastic

Material topics and focus areas are as follows:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Water and Effluent Management

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

Water treatment

- Continued to maintain onsite effluent treatment plants for hotels that are unable to discharge effluent into common municipal sewerage lines.
- Reuse of treated water for gardening and farming at select Maldivian properties.
- Ensured all effluents met the requisite water quality standards.

Water efficiency

- 720m^3 of water savings annually at 'Cinnamon Bey Beruwala' through the installation of water conserving fixtures.
- 'Cinnamon Bentota Beach' and 'Cinnamon Lakeside Colombo' adopted rainwater harvesting systems.

The industry group strives to function with minimal impact to the environment and strives to ensure sustainable value creation to all stakeholders.

Energy and Emissions Management

Relevance: Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image and reputation

Targets and initiatives during the year:

Energy efficiency

- Continued installation of energy efficient LED lighting resulting in ~3,814 kWh of savings.
- Replaced traditional air conditioner units with inverter type units which resulted in ~23,214 kWh of savings.
- 'Cinnamon Lakeside Colombo' reduced its energy usage by ~305,184 kWh through usage optimisation of air handling units (AHUs), exhaust fans and chiller operations.

Renewable energy and carbon footprint reduction

- Solar panels were installed at 'Ellaidhoo Maldives by Cinnamon', 'Cinnamon Bentota Beach' and 'Cinnamon Dhonveli Maldives' which generated 859,156 kWh of renewable energy.
- Walkers Tours Limited:
  - Certified as a carbon neutral fleet by Carbon Neutral UK.
  - Invested in a foreign renewable energy project to offset its carbon footprint by 889 tons of carbon equivalent.
  - 69 per cent of the vehicle fleet were hybrids.

Certification and Awareness

- 'Cinnamon Bentota Beach' was the first Sri Lankan large scale resort to be awarded LEED (Leadership in Energy and Environmental Design) Platinum certification.
- Alignment of environmental performance with international benchmarks.
- Emissions were monitored to ensure compliance with the tolerance levels stipulated under the Environmental Protection License (EPL).
- Maintained ISO 14001 Environmental Management System certification.

Solar panels were installed at 'Ellaidhoo Maldives by Cinnamon', 'Cinnamon Bentota Beach' and 'Cinnamon Dhonveli Maldives', generating 859,156 kWh of renewable energy.

Waste Management

Relevance: Regulatory and brand reputation implications

Targets and initiatives during the year:

Reuse and recycle

- 'Cinnamon Lakeside Colombo' produced compost using food waste. The compost was used to grow organic produce for use in guest meals.
- Generation of biogas using food waste at 'Cinnamon Wild Yala', 'Cinnamon Citadel Kandy' and 'Habarana Village by Cinnamon'.
- Implemented waste management strategies in order to achieve 'zero waste to landfill' status in the long-term.

Plastic waste reduction

- 750 kg of plastic savings annually through the replacement of 1.5 litre pet bottles with refillable water flagons at 'Ellaidhoo Maldives by Cinnamon'.
- Replacement of 500 ml water bottles provided at guest check-in with a customised bottle at 'Ellaidhoo Maldives by Cinnamon', thereby eliminating the use of 3,000 bottles annually.
- Walkers Tours Limited, in collaboration with 'Plasticcycle', placed plastic collection bins at Southern Expressway exit points.
- 'Cinnamon Grand Colombo' was the first hotel to join the Central Environment Authority's pen and toothbrush recycling programme 'not a rule but a discipline'. This is expected to direct over 2,000 pens away from landfill annually.

Certification and awareness

- 'Cinnamon Grand Colombo' in collaboration with National Cleaner Production Centre conducted an awareness session on managing, segregating and recycling waste.
- 'Cinnamon Grand Colombo' raised awareness on reducing plastic by an e-poster campaign.
- In support of the 'Code Green Agent of Change' challenge organised by 'Plasticcycle', 189 eco-bricks were collected by 'Cinnamon Grand Colombo' while Walkers Tours Limited collected 20 kg of plastic.
- 'Cinnamon Red Colombo' conducted an online seminar for staff on food waste reduction and prevention.

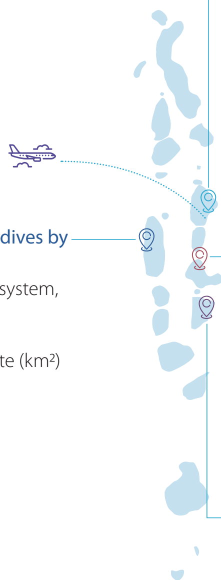
Biodiversity Conservation and Promotion

Relevance: Regulatory and brand reputation implications and maintaining the value proposition for the tourism industry

Targets and initiatives during the year:

- 'Cinnamon Elephant Project' - Continued the sustained research initiative, aimed at identifying elephant behavioural and dispersion patterns in the Minneriya and Kaudulla national parks and surrounding areas in the North Central province of Sri Lanka. Despite restrictions due to COVID-19,11 field visits were conducted to observe the collared elephant and other elephants in different herds.
- 'Ellaidhoo Maldives by Cinnamon' and 'Cinnamon Hakuraa Huraa Maldives' organised beach clean-up campaigns whilst 'Cinnamon Hakuraa Huraa Maldives' conducted a tree planting project.
- 'Ellaidhoo Maldives by Cinnamon' launched a coral reef restoration programme with the objective of transplanting threatened reefs and preserving ocean biodiversity through awareness creation on conservation.
- As part of the beach caretaker project, 'Cinnamon Bey Beruwala' along with 'Plasticcycle' partnered with the Marine Environmental Protection Authority (MEPA) to protect and preserve the beach along the resort. A beach cleanup amongst employees and guests was organised as a part of this initiative.

Proximity to Biodiversity and its Features - Maldivian Resorts



Cinnamon Dhonveli Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.1496

Velana International Airport

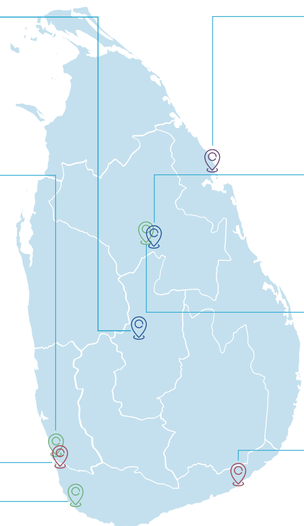
Ellaidhoo Maldives by Cinnamon
- Marine ecosystem, adjacent to property
- Extent of Site (km²) – 0.0556

Cinnamon Velifushi Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.05351

Cinnamon Hakuraa Huraa Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) – 0.0543

Note: Subsurface land at site (km²) -Nil.
Protected through The Environmental Protection and Preservation Act.

Proximity to Biodiversity and its Features - Sri Lankan Resorts



Cinnamon Citadel Kandy
- Mahaweli river and freshwater ecosystems, adjacent to property
- Extent of Site (km²) - 0.0234
- *IUCN Category 4 - Habitat/ Species Management Area

Cinnamon Bey Beruwala
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.045
- *IUCN Category 2 - National Park

Cinnamon Bentota Beach
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.0446
- * IUCN Category 2 - National Park

Hikka Tranz by Cinnamon
- Marine ecosystem, adjacent to property
- Subsurface Land at Site (km²) - 3,600
- Extent of Site (km²) - 0.0176
- *IUCN Category 2 - National Park

Trinco Blu by Cinnamon
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.1143
- * IUCN Category 2 - National Park

Habarana Village by Cinnamon
- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km²) - 0.0378
- *IUCN Category 2 - National Park

Cinnamon Lodge Habarana
- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km²) - 0.1031
- *IUCN Category 2 - National Park

Cinnamon Wild Yala
- Yala national park, adjacent to property
- Extent of Site (km²) - 0.0405
- *IUCN Category 2 - National Park

Note: All properties have obtained EPLs.
Unless explicitly specified, subsurface land at site (km²) - Nil.
**Protected through the Flora and Fauna Protection Ordinance 1937.*

LEISURE

Carbon footprint scope 1 and 2 per operational intensity factor

	2020/21	2019/20
Sri Lankan Resorts CO_2 kg per guest night	66.89	25.29
Maldivian Resorts CO_2 kg per guest night	97.21	43.38
Colombo Hotels CO_2 kg per guest night	428.40	61.54
Destination Management CO_2 kg per client serviced	39.91	7.49

Water withdrawal per operational intensity factor

	2020/21	2019/20
Sri Lankan Resorts water withdrawn - litres per guest night	2,264	942
Maldivian Resorts water withdrawn - litres per guest night	2,679	968
Colombo Hotels water withdrawn - litres per guest night	8,069	1,304

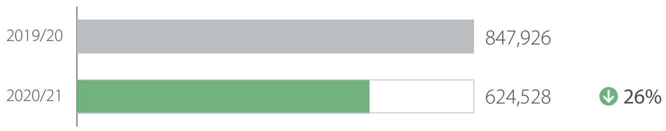
Waste generated per operational intensity factor

	2020/21	2019/20
Sri Lankan Resorts waste generated - kg per guest night	3.13	2.03
Maldivian Resorts waste generated - kg per guest night	8.52	5.74
Colombo Hotels waste generated - kg per guest night	18.09	4.56

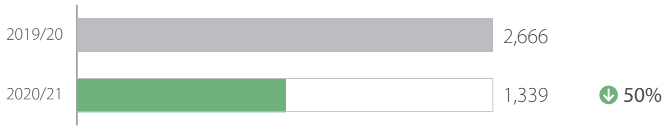
Note- Both absolute and per guest night performance in the Leisure industry group was significantly impacted by COVID-19. Hence, on an absolute basis, the industry group recorded a decrease in performance indicators, with the exception of the Maldivian Resorts segment which reported an increase, due to the inclusion of 'Cinnamon Velifushi Maldives' and 'Cinnamon Hakuraa Huraa Maldives' into the sustainability reporting scope post refurbishment. Despite the absolute reduction overall, the increase in per operational intensity factors is due to a disproportionate reduction in activity.

Carbon Footprint (MT)

Water Withdrawn (m^3)



Waste Disposed (Kg '000)



Carbon Footprint (MT)

Colombo Hotels:	**10,653 MT**
Sri Lankan Resorts:	**7,394 MT**
Maldivian Resorts:	**6,100 MT**
Destination Management:	**76 MT**
Hotel Management:	**137 MT**

Human Capital

As a service driven industry, quality and delivery are vitally important to the Leisure industry group. Businesses continually invest in the workforce to build a professionally trained, competent and experienced staff cadre to deliver exceptional customer experience and maintain the standards of the 'Cinnamon' brand.

The Leisure industry group places significant value on providing a safe working environment for its employees through education and training on safety practices in the workplace. With the outbreak of the COVID-19 pandemic, health and safety measures taken by the industry group were further strengthened to safeguard its frontline staff.

Material topics and focus areas are as follows:

Training and Talent Retention

Relevance: Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality

Targets and initiatives during the year:

Training and talent retention

- Maintenance of 'Cinnamon' brand standards by providing a stipulated number of training hours to develop the skills of the workforce.
- All properties continued to offer classroom and on-the-job training to all employees to improve skills, productivity, service quality and value.
- Food handlers at all hotels and resorts were provided comprehensive training on food safety and hygiene to ensure quality standards are met.

The Leisure industry group places significant value on providing a safe working environment for its employees through education and training on safety practices in the workplace.

Health and Safety

Relevance: Ensuring safe working conditions are provided for all employees to minimise occupational health and safety incidents

Targets and initiatives during the year:

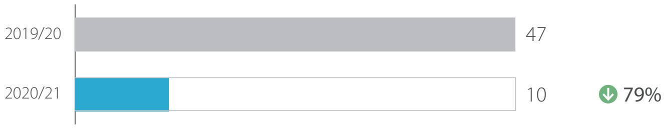
Health and safety

- Ensuring safe working conditions and practices for all employees to minimise occupational health and safety incidents.
- Conducted regular first aid, fire awareness and emergency evacuation trainings.
- ISO 45001:2018/ OHSAS 18001 - occupational health and safety standards certification were maintained by hotels.
- ISO 22000 certification - food safety was maintained by hotels.
- 'Cinnamon Lakeside Colombo' conducted an awareness programme on promoting gender equality and eliminating workplace harassment.

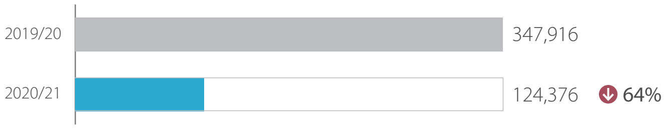
COVID-19 response

- 'Safe & Secure' certificate of compliance issued by the SLTDA was obtained by all Sri Lankan hotels and resorts.
- Workplace safety protocols such as guest health declarations, temperature checks and regular sanitisation of high risk areas were rolled out.
- All staff were provided with appropriate personal protective equipment (PPE) including face masks, face shields, gloves, and aprons. Random PCR tests were also conducted.
- Notices and visuals on the prevention of COVID-19 were displayed in common areas.
- Maldivian Resorts adhered to the 'Cinnamon' health and safety operating manual once tourism commenced in the Maldives.
- Banquets and restaurants adhered to the regulations imposed by the Government and SLTDA and maintained social distancing.
- Work schedules were implemented for staff to maintain the required level of staff.
- Introduction of COVID-19 checklists, random audits, and duty manager checklists.
- Walkers Tours Limited conducted health and safety inspections on third party suppliers, chauffeur guide training and staff training on COVID-19 safety measures, guidelines and service delivery.

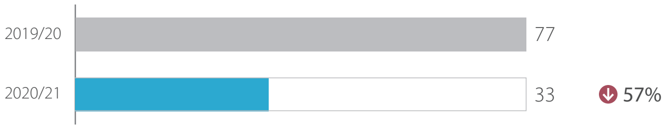
Injuries (Number)



Training (Hours)



Training per Employee (Hours)



Number of Employees

Colombo Hotels:	**1,465**
Sri Lankan Resorts:	**1,471**
Maldivian Resorts:	**582**
Destination Management:	**153**
Hotel Management:	**148**

Social and Relationship Capital

The industry group recognises the importance of building stakeholder relationships and engages proactively with communities and its supply chain partners to ensure sustainable value creation across its value chain, including the community. The industry group works collaboratively with the community, to empower youth and women in particular to contribute towards the development of the local economy.

The significant suppliers within the industry group are:

SIGNIFICANT SUPPLIERS - CINNAMON HOTELS & RESORTS

- Amenities
- Food and beverage suppliers
- Travel agents and travel websites
- Casual workers

SIGNIFICANT SUPPLIERS - DESTINATION MANAGEMENT

- Hotels and other accommodation providers
- Contracted retail stores
- Freelance national guides
- Jeep and boat suppliers
- Foreign travel agents and tour operators
- Outsourced fleet

INDUSTRY GROUP REVIEW

LEISURE

Material topics and focus areas are as follows:

Community Engagement

Relevance: Engagements with the community to reduce inequality, enhance skills and build mutually beneficial relationships

Targets and initiatives during the year:

WTL and WBTL in collaboration with John Keells Foundation (JKF) conducted the following programmes:

- Conducted a 15-hour virtual English camp for 37 children of chauffeur guides to improve communication skills during school closure on account of the pandemic.
- 6 youth were awarded scholarships to pursue advanced level and university education under JKF's Higher Education Scholarship Programme.

'Cinnamon Hotels & Resorts' collaborated with JKF on the following initiatives:

- 'Cinnamon Bentota Beach' in association with JKF and the Gratiaen Trust conducted a literary weekend event featuring 7 Gratiaen prize winners. ~90 hotel guests and university students attended this event.
- 'Trinco Blu by Cinnamon' organised the certificate distribution ceremony of the 'Cinnamon Youth Empowerment Programme' for 140 students.
- 18 scholarships were awarded to school children in Trincomalee under JKF's English Language Scholarship Programme.
- 181 school children from Trincomalee, Beruwala, Yala, Kandy, and Hikkaduwa who completed the English Language Scholarship Programme participated in virtual English day events while a student from Kandy was selected as one of the winners under the Central and Sabaragamuwa Province category.
- 3 students were awarded scholarships under JKF's Higher Education Scholarship Programme to pursue advanced level and university education.
- Under JKF's business-centric community empowerment initiative John Keells 'Praja Shakthi', 'Hikka Tranz by Cinnamon' provided ground support to JKF in the following initiatives:
  - Renovation of the playground at 'Ekamuthu' pre-school in Hikkaduwa which benefited 30 students.
  - In collaboration with the Academy of Design, conducted a training workshop for 10 women engaged in the batik industry to enhance their skills and market access. The women were supported in developing a premium product range post-training under the new brand name 'Hikka Batiks' towards testing market demand through a pilot sale held in Colombo.
  - Conducted a pilot awareness programme on substance abuse prevention in collaboration with Humedica Lanka and Hikkaduwa Divisional Secretariat for 109 Government officials, pre-school teachers, and parents.
  - All hotels and resorts made donations to various non-profit organisations including the Rheumatology and Rehabilitation Hospital.

Supply Chain Management

Relevance: Assessing and educating significant suppliers to ensure mitigation of negative impacts with respect to environment, labour, and human rights aspects

Targets and initiatives during the year:

- Engagement with significant supply chain partners to encourage environmentally friendly and socially responsible activities.
- Stimulated local economies by sourcing local produce and other outsourced services.
- Supplier awareness sessions were carried out for 44 suppliers, on required standards in relation to quality, environmental protection and health and safety.
- Supplier audits covered key suppliers of 'Cinnamon Hotels & Resorts' and the central purchasing office.
- Launched 'Skill into Progress' (SKIP) programme – JKF's initiative to support and upskill suppliers of the Group especially during business downtime following the COVID-19 pandemic, which benefited 16 chauffeur guides attached to WTL and WBTL through a 36-hour training on industry-related English communication skills.

PROPERTY

Industry Group Structure

Property Development

- Development and sale of residential and commercial properties under three segments 'Luxe Spaces', 'Metropolitan Spaces' and 'Suburban Spaces'.
- Ongoing projects: 'Cinnamon Life' integrated resort development and 'Tri-Zen', a development based on smart living in the heart of the city.
- Previous projects: 'OnThree20', '7th Sense', 'Monarch', and 'Emperor'.
- Operation of the 18-hole champion golf course and management of the land bank in Rajawella, Kandy.

Real Estate

- Rental of commercial office space.
- Management of the Group's real estate within the city.
- Ownership and operation of the 'Crescat Boulevard' mall and 'K-Zone' malls in Moratuwa and Ja-Ela.

Contribution to the John Keells Group

1%	(1%)	40%	1%
Revenue	EBIT	Capital Employed	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	196,882	162,928	21	113,452
Total equity	108,406	98,118	10	81,779
Total debt[1]	59,492	41,954	42	17,498
Capital employed[2]	167,898	140,073	20	99,277
Employees[3]	272	278	(2)	281

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover[4]	1,910	1,395	37	711
EBIT	(92)	565	(116)	283
PBT	(136)	462	(130)	191
PAT	(276)	326	(185)	89
EBIT per employee	(0)	2	(117)	1
Carbon footprint	770	814	(5)	505

1. Excludes lease liabilities.

2. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.

3. As per the sustainability reporting boundary.

4. Revenue is inclusive of the Group's share of equity accounted investees.

INDUSTRY GROUP REVIEW

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

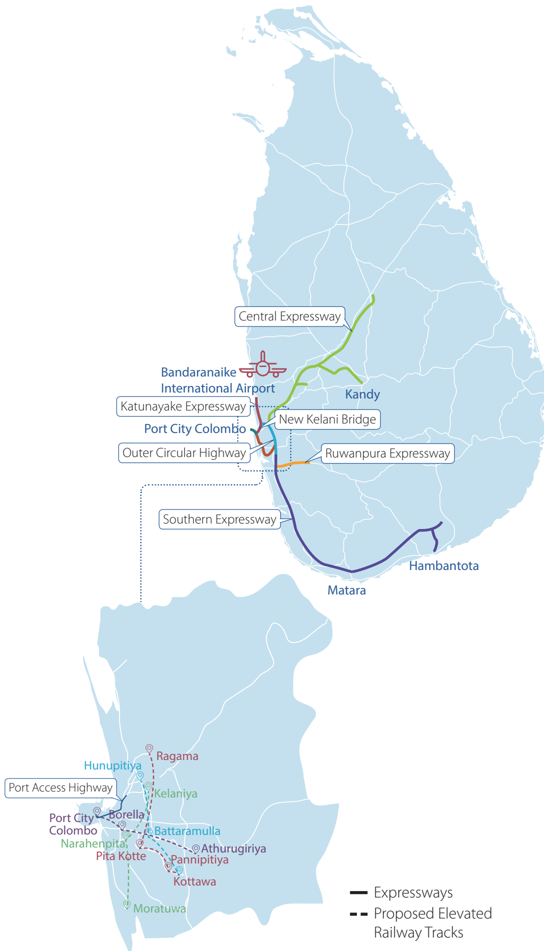
- The construction sector accounted for 6.2 per cent of Sri Lanka's GDP in CY2020 [CY2019: 6.9 per cent]. The construction sector is expected to increase its contribution to GDP going forward, given notable investments by both the public and private sector.
- The Land Price Index for the Colombo District, compiled by the Central Bank of Sri Lanka (CBSL), reached 145.2 in the second half of CY2020, an increase of 4.6 per cent [CY2019 2H: 138.8]. The Residential, Commercial and Industrial sub-indices contributed to this increase.

Connectivity

- Preliminary work on the Ruwanpura Expressway, spanning ~74 km from the Kahathuduwa exit point of the Southern Expressway till Pelmadulla, commenced during the year with the construction of phase one from Kahathuduwa to Ingiriya (~24 km). The 2021 National Budget articulated the completion of this section by CY2024.
- Central Expressway
  - Construction of the stage two stretch from Meerigama to Kurunegala of the Central Expressway spanning ~40 km progressed during the year. This section is expected to be completed during CY2021.
  - Kerawalapitiya-Meerigama, Kurunegala-Dambulla and Pothuhera-Galagedara sections of the Central Expressway to be completed by CY2024, as articulated in the 2021 National Budget.
- The Cabinet of Ministers granted approval for the construction of four elevated railway tracks within the Colombo City limits as a public-private partnership.
  - Raktha (red) track connects Ragama to Kottawa via Pita Kotte (42 km).
  - Haritha (green) track connects Moratuwa to Kelaniya via Narahenpita (28 km).
  - Neela (blue) track connects Kottawa to Hunupitiya via Battaramulla (23 km).
  - Dham (purple) track connects Port City Colombo to Athurugiriya via Borella.

Port City Colombo (PCC) Developments

- PCC, encompassing over 5.7 million square meters of built space, upon completion, is expected to have significant spill-over effects to the economy through the attraction of foreign direct investments and by spurring growth in the city and its vicinity.
- In May 2021, the Colombo Port City Economic Commission Bill was approved by the Parliament of Sri Lanka:
  - Outlines the legal framework for the establishment of a Special Economic Zone (SEZ) within PCC.
  - Advocates the formation of an economic commission to oversee all activities within the SEZ, including granting registrations, licences and authorisations.
  - Positions SEZ as an international business and services hub, which includes services such as international trade, shipping logistic operations, offshore banking and financial services, IT and business process outsourcing (BPO) and corporate operations.



Key Policy and Regulatory Highlights

- National budget proposals:
  - Permitted the purchase of super luxury condominiums by non-residents utilising foreign currency earnings generated in Sri Lanka, earnings in foreign countries or via a loan obtained from a bank outside of Sri Lanka.
  - Withholding tax (WHT) made exempt on rent payments to residents.
  - Removal of construction related import duties on bulk importation of raw materials which cannot be produced locally in relation to the construction of mega housing schemes and highways.
  - Exemption of import tax on the importation of machinery with modern technology in the construction industry.
- The Securities and Exchange Commission of Sri Lanka (SEC) introduced a framework for Sri Lanka Real Estate Investment Trust (SLREIT). Benefits from this framework include various tax exemptions.

The Property industry group encountered a series of challenges with the onset of the COVID-19 pandemic in Sri Lanka, particularly in lieu of a complete halt in construction at sites and operations at malls during the lockdown period and isolation measures thereafter. Constraints across the supply chain and workflow pressures also disrupted business performance. However, indications of recovery towards the latter part of the year under review, resulted in a gradual rebound in operations and an increase in pre-sales. The prevailing low interest rate regime in the country, where consumers have access to long-term funding at attractive rates, also aided business recovery and stimulated a shift in funds from other asset classes to real estate assets, particularly in the metropolitan segment. However, layered tax and tariff systems for construction material, an increase in shipping and logistic costs and the depreciation of the Rupee continued to exert pressure on industry performance.

On the Commercial Real Estate front, the industry underwent a paradigm shift on the back of the COVID-19 pandemic, with restrictions in movement forcing the adaptation of 'work from home' practices. Against this backdrop, the Group witnessed lacklustre demand for office space in Colombo during the year.

The prevailing low interest rate regime in the country, where consumers have access to long-term funding at attractive rates, also aided business recovery and stimulated a shift in funds from other asset classes to real estate assets, particularly in the metropolitan segment.

COVID-19: IMPACT AND MITIGATION – PROPERTY

The Property industry group was significantly impacted by the COVID-19 pandemic given its adverse effects on economic conditions and consumer sentiment. The businesses adopted prudent cost management strategies and also conducted its operations responsibly in order to ensure minimum intervention to business operations.

Impact

- The construction sites, 'Cinnamon Life' and 'Tri-Zen' were closed during the first lockdown in Sri Lanka. Both sites recommenced work, thereafter, as permitted under the relevant Government directive at the time under stringent health and safety guidelines.
- Although the sites were opened for construction, labour strength and productivity levels remained below pre-lockdown levels, although there was a month-on-month gradual recovery towards pre-pandemic levels.
- The industry group also faced challenges in sourcing both local and foreign labour given restrictions on movement, imposition of mandatory quarantine procedures and the closure of the airport for arrivals.
- Disruptions to global trade and supply chains adversely impacted the industry, to which the businesses in the industry group were no exception. The businesses were also faced with challenges in sourcing construction raw materials and increase in raw material prices and related costs.
- The traction on apartment and office sales was subdued during the year, given the steep depreciation of the Rupee and the uncertainty surrounding the pandemic. The Rupee pricing model at 'Tri-Zen' which mitigates the exchange rate volatility on the buyer, assisted 'Tri-Zen' in managing this impact.
- Operation of the 'Crescat' mall and 'K-Zone' malls in Moratuwa and Ja-Ela were temporarily halted, and the malls were closed from March- May 2020. Although operations commenced thereafter, the performance of the mall operations continued to be impacted during the year as a result of the pandemic.

Measures taken

- Both sites were able to commence construction work following the easing of restrictions, albeit with limited manpower, as permitted under relevant regulatory and healthcare guidelines. Procedures focusing on productivity, efficiency and health and safety protocols were implemented to address the dynamic challenges faced at the site. The business continued to work closely with the contractors to manage the ongoing impact of COVID-19 on these projects.
- In order to leverage on the prevailing low interest rate regime of the country, 'Tri-Zen' partnered with leading banks in Sri Lanka to offer personalised and competitive mortgage solutions.
- Adopted a focused sales approach in order to improve consumer sentiment during the pandemic. To this end, the business ensured constant communication and support with the market and existing customers in relation to the progress of ongoing projects.
- Despite the impact on mall operations, in order to extend relief to its supply chain, retail tenants were granted concessions and relief on rental and lease terms.

INDUSTRY GROUP REVIEW

PROPERTY

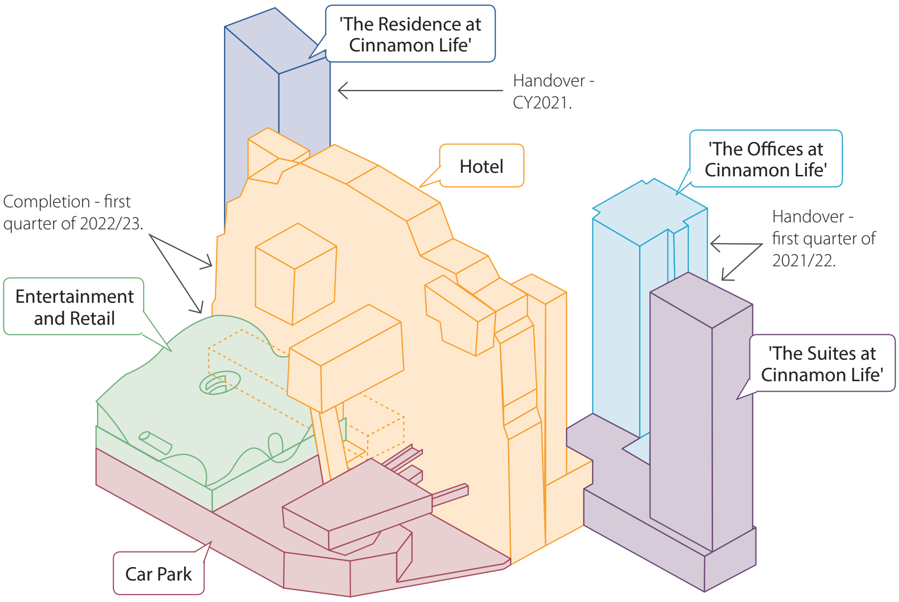
Cinnamon Life

Following the global outbreak of the COVID-19 pandemic and the stringent lockdown measures imposed by the Government of Sri Lanka in March 2020 to contain the spread of the virus, construction of the 'Cinnamon Life' project was temporarily halted, and the site was closed for a period of ~2 months until mid-May 2020. Post the easing of lockdown measures, construction work gradually commenced on site under enhanced health and safety guidelines as required by Government directives. Whilst the initial pace of construction remained well below the levels witnessed prior to the outbreak of the pandemic, given the stringent regulations, reduced workers and new site arrangements, the current momentum of construction activity is steady since the re-opening of the site, with labour strength and productivity gradually improving to pre-lockdown levels across the quarters.

Given the continued challenges in labour mobilisation including restrictions and new regulations imposed on the import of foreign labour, time lost, and the loss in productivity due to the enhanced health and safety measures and the restrictions placed by the Government on the import of materials and equipment, at the time, the contractor re-organised and re-planned its working arrangements.

Accordingly, the Certificates of Conformity (COC) for the 'The Offices at Cinnamon Life' and 'The Suites at Cinnamon Life' residential tower were obtained during the year under review. 'The Residence at Cinnamon Life' will be ready for customer handover by CY2021 with the completion of the hotel and shopping mall scheduled for the first quarter of 2022/23.

'The Offices at Cinnamon Life'.



Note: Areas and visual are subject to change based on final drawings.

In line with the revised timelines for completion, finishing work including structural work, cladding, installation of the façade, glazing, and interior designing of hotel rooms is currently underway.

As expected, pre-sales during the year was impacted following the uncertainty surrounding the pandemic and the depreciation of the Rupee, in line with the overall market. The impacts were more pronounced in the luxury segment. Pre-sales of the Residential Towers; 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life' are currently at 64 per cent of the total area available for sale. A gradual recovery of consumer sentiment coupled with the project nearing completion is expected to improve sales momentum. Total revenue from the sale of residential apartments and the sold commercial office space of 'Cinnamon Life', will be recognised from the first quarter of 2021/22 onwards.

Whilst most of the capital expenditure requirements of the project has already been funded, the remainder will be continued to be met through a mix of the secured syndicated debt facility, equity commitments through capital raised and internally generated cash and pre-sales of the project. The relevant sections of the USD 395 million syndicated project loan agreement were amended to reflect the revised timelines of the project.

Given the iconic nature of the property and the dynamic challenges entailing a project of this size, employees with prior experience in opening and managing similar integrated resorts were recruited to ensure the availability of in-house expertise. Negotiations with key tenants for the retail and office spaces continued during the year, with various alternatives being considered for the retail space to ensure a unique selling proposition to drive footfall and sales.

The Certificates of Conformity (COC) for the 'The Offices at Cinnamon Life' and 'The Suites at Cinnamon Life' residential tower were obtained during the year under review.

Tri-Zen

'Tri-Zen', an 891-unit condominium located at the heart of the city captalises on the increasing demand for affordable, smart and efficient living solutions. Positioned within the 'Metropolitan Spaces' segment of the industry group, the project is developed as a joint venture with Indra Traders (Private) Limited and leverages on innovative designs, lucrative price points, space efficiency and the need for modern solutions for urban living. The strategic location of the project provides buyers with easy access to entertainment, essential services, and other commercial activities.

Despite the closure of the construction site of 'Tri-Zen' for ~2 months, construction at the 'Tri-Zen' site continued to progress steadily thereafter with significant headway made on the towers and the completion of the parking structure. Construction of the 20th floor is currently ongoing. The business was able to proactively manage the impact on the timeline and deliverables by working closely with the contractor to manage such impacts and by adopting efficient operating practices and cost optimisation strategies. Accordingly, the structure of the building is envisaged to be completed in the first half of CY2022 whilst the overall project is scheduled for completion in CY2023.

Although sales at 'Tri-Zen' was impacted during the first lockdown, the sales momentum and interest towards the project continued to strengthen each month, with sales in March 2021 recording the highest number of units since the inception of the project.

Targeted sales strategies and the Rupee pricing model, which mitigates the exchange rate risks on the buyer, assisted the project in rebounding faster than the market. Capitalising on prevailing low interest rates, John Keells Properties (JKP) in collaboration with local banks and insurance companies offered the following financing solutions to potential buyers, which also aided the sales rebound:

- Launched 'Freedom Mortgages' in collaboration with Commercial Bank of Ceylon, which offers a home financing solution that waives the interest on home loans for 'Tri-Zen' customers for a period of 2 years, whilst allowing minimal cash outlays during the construction period. This scheme was later extended to several other banks.
- As part of a strategic alliance with Union Assurance, 'Tri-Zen' customers will be offered a life insurance cover for Rs.7.0 million, where the insurance premium will be borne by JKP until the completion of the project.

Sales Update

- The quarterly rebound in the 'Tri-Zen' sales momentum, despite the impact of the second COVID-19 outbreak in the third quarter, is encouraging and signifies the potential demand for housing in the 'Metropolitan Spaces' segment.
  - Q1 Sales – 2 units [2019/20 Q1: 36 units]
  - Q2 Sales – 26 units [2019/20 Q2: 6 units]
  - Q3 Sales – 5 units [2019/20 Q3: 21 units]
  - Q4 Sales – 47 units [2019/20 Q4: 19 units]

Cumulative sales (units)

342 units

2019/20: 262 units

- A notable proportion of 'Tri-Zen' buyers continue to be first-time customers of the industry group as well as first-time home buyers, which is a realisation of the industry group's strategy of reaching new market segments.

Rajawella Holdings Limited (RHL)

The Group launched its first real estate products under RHL during the year under review, which includes scenic land parcels, town houses and villa developments. Products are branded under two segments i.e. 'Peacock Valley' and 'Sunrise Ridge', all based within and in proximity to the 'Victoria Golf and Country Resort' in Digana. Initial interest towards these products has been encouraging, with sale of real estate parcels gaining traction.

Peacock Valley	Sunrise Ridge
• Set of premium land plots located at the heart of the golf course. • Average plot size of ~76 perches. • Gained immense traction with majority of land parcels being sold within 3 months from the launch date.	• Luxury townhouses located alongside the golf course. • ~2,000 sq.ft. in size. • Consisting of two-bedrooms, kitchenette, living room, and a private deck. • Property consists of 16 townhouses, built on ~10 perch plot. • Guarantees buyers a hassle-free experience and will be managed by 'Victoria Golf and Country Resort'. • Owners entitled to receive a complimentary five-year golf membership, a 90-day stay, and a percentage of room revenue. • Construction is scheduled to commence by July 2021.

During the year under review, the refurbishment of the golf course was completed. The golf course was relaunched in tandem with the Mark Bostock Memorial tournament under the management of Troon International: the largest golf course operator in the world, with over 2.5 million members worldwide. The 18-hole golf course is designed in accordance with United States Golf Association (USGA) standards.

Mall Operations

Mall operations were significantly impacted by the decline in footfall on the back of the COVID-19 pandemic and the resultant restrictions in movement and social distancing norms. Given the current market landscape, in order to repurpose and reposition the 'Crescat' mall in line with market dynamics, the property was closed for refurbishment on 31 December 2020. The revamped property is expected to be re-launched and operational in the second half of CY2021.

INDUSTRY GROUP REVIEW

PROPERTY

Vauxhall Land Developments Limited (VLDL)

During the year under review, the Group increased its existing stake of 60.0 per cent in VLDL by acquiring a further 26.7 per cent equity stake from Finlays Colombo Limited (FCL) for a consideration of Rs.5.98 billion. This purchase is consequent to FCL exercising its option to divest its holding as provided under the joint development agreement entered into in 2018. The Group has committed to acquiring the balance 13.3 per cent equity stake from FCL for Rs.2.99 billion on or before 24 September 2021, post which VLDL would become a fully owned subsidiary of the Group.

The contiguous 9.38 acre property is one of the largest privately held land extents in central Colombo and is within a proposed zoning area identified under the Beira Lake Development Plan of the Urban Development Authority (UDA). The strategic location in the heart of Colombo city has ~ 450 metres of street frontage, a majority of which faces the planned waterfront recreation zone in the Beira Lake Intervention Area Development Plan which allows for a large-scale development with views over the Beira Lake. The site is classified as a residential and mixed-use hub.

This property is a part of the Group's land banking strategy, where strategic land parcels were identified in order to capitalise on opportunities arising in the real estate and property development industry. With the acquisition of VLDL, the Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term.

A development project has been earmarked for this property, subject to market conditions, once 'Tri-Zen' reaches a certain level of completion, to ensure a steady cycle of revenue recognition through the planned monetisation of the Group's land bank. In furtherance of this strategy, the master planning and development strategy continued during the year under review.

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue*			
Property Development	1,612	916	76
Real Estate	298	479	(38)
Total	1,910	1,395	37

**Including share of revenue of equity accounted investees.*

Property Development

- Revenue growth was driven by the revenue recognition from the 'Tri-Zen' project amounting to Rs.1.30 billion during the year under review [2019/20: Rs.806 million].
- Growth in revenue was also driven by real estate sales at RHL from the third quarter of 2020/21 onwards. Recurring revenue at RHL was impacted by the partial closure of the golf course and adverse market conditions in lieu of COVID-19. Despite the challenging environment, RHL maintained a positive EBITDA in the latter half of the year under review.
- Revenue from 'Cinnamon Life' will only be recognised post-handover of the residential and office units. Handover will commence from the first quarter of 2021/22 onwards.

Real Estate

- The decline in revenue in the Real Estate sector is primarily attributable to the lower rental income from mall operations. Rent relief was offered to tenants across properties which impacted rental income. The malls were also closed during select periods of the year under review given restrictions in movement.
- The closure of 'Crescat' for refurbishment on 31 December 2020 also had an impact on the topline of the Real Estate sector.

Rs.million	2020/21	2019/20	%
EBITDA*			
Property Development	160	384	(58)
Real Estate	(177)	257	(169)
Total	(17)	641	(103)
PBT*			
Property Development	76	257	(70)
Real Estate	(212)	205	(204)
Total	(136)	462	(130)

**Share of results of equity accounted investees are shown net of all taxes.*

- Discussions on EBITDA are inclusive of fair value gains/losses on investment property (IP). The Group is of the view that fair value gains/losses on IP are integral to the industry group's core operations, given the land banking strategy of the Property industry group and the view of monetising such land through development and sales.
- The decline in EBITDA of the industry group is mainly attributable to fair value gains/losses on IP, given volatile market conditions during the year under review. Fair value gains/losses on IP amounted to a loss of Rs.291 million in 2020/21 compared to gain of Rs.455 million in 2019/20.
- EBITDA of the industry group excluding fair value gains/losses on IP amounted to Rs.274 million, an increase of 48 per cent over the previous year [2019/20: Rs.186 million].
- Whilst the Real Estate sector EBITDA was impacted by the aforementioned impact on mall operations, a fair value loss on IP of Rs.349 million at 'Crescat', given the closure of the property for refurbishment, also contributed to the EBITDA decline.

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Assets			
Property Development	185,803	151,157	23
Real Estate	11,079	11,771	(6)
Total	196,882	162,928	21

- The increase in assets of the industry group is primarily driven by the Property Development sector, on account of project related costs pertaining to 'Cinnamon Life' which is captured under other non-current assets as work-in-progress costs. Given that the Residential and Office towers at 'Cinnamon Life' are in the process of being handed over, the relevant costs pertaining to these towers continue to remain as current assets under inventory as at 31 March 2021.
- While 'Cinnamon Life' is consolidated under the Property industry group, it is pertinent to note that all project related costs, including finance expenses incurred under the syndicated project development facility, are capitalised in accordance with Sri Lanka accounting standards (SLFRS/LKAS), unless explicitly mentioned. During the year under review, as planned, debt at 'Cinnamon Life' increased by Rs.17.61 billion to Rs.58.86 billion.

Natural Capital

The Property industry group actively monitors its environmental impact with continuous initiatives to reduce energy and water usage, whilst ensuring sustainable waste and effluent disposal. The industry group operates within the Group's environmental policies and strives to be in line with industry best practice.

Material topics and focus areas are as follows:

Energy and Emissions Management

Relevance: Financial, regulatory and brand implications

Targets and initiatives during the year:

Energy efficiency

- Reduction in energy consumption through continuous replacement of existing fluorescent lamps with LED lighting resulting in annual savings of ~5,200 kWh.

Renewable energy and carbon footprint reduction

- Continued operation of the biogas plant at RHL which generates renewable energy from organic waste.

Water & Waste Management

Relevance: Implications on brand image and environment, compliance with Government and industry regulations

Targets and initiatives during the year:

Water management

- Rainwater harvesting and use of grey water for irrigation at 'K-Zone Ja-Ela' as an initiative to conserve water.
- Continuous use of the drip irrigation system at WBL which uses condensed water from air conditioners for irrigation of landscape.

Waste management

- Disposal of plastic and e-waste through contracted third-party recyclers.
- ~3,000 kg of paper waste recycled.
- Onsite composting of organic waste at 'K-Zone Ja-Ela' and WBL.
- Reduction of wet garbage at 'K-Zone Ja-Ela' where food waste is supplied to local farmers for animal feed.
- Continued segregation of waste into colour-coded bins at cafeterias and garbage collection areas.

LOOKING FORWARD: 2025 GOALS

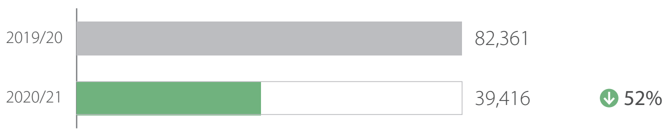
This year RHL has set a sustainability goal to be achieved by 2024/25. The goal aims to reduce its landfill waste, against the 2018/19 baseline.

Waste

80% reduction in waste sent to landfill at RHL

Carbon Footprint (MT)

Waste Disposed (Kg)



INDUSTRY GROUP REVIEW

PROPERTY

Human Capital

In addition to the continuous training and development provided to workers, special training was provided on health and safety in light of the COVID-19 pandemic. Additional health and safety measures were implemented at all locations, which included equipping staff with sufficient PPE, sanitisation facilities and the opportunity to 'work from home', where applicable.

Material topics and focus areas are as follows:

Occupational Health and Safety

Relevance: Monitoring occupational health and safety incidents and practices and assessing the risks arising from its business model of utilising third party construction contractors, and implications on brand image

Targets and initiatives during the year:

Health and safety

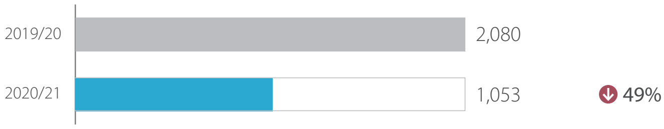
- Maintenance of the OHSAS 18001:2007 certification at all malls.
- Verification of food hygiene standards at malls through regular food sample tests.
- Dengue preventive activities to ensure a safe working environment.
- Continuous monitoring of health and safety standards across the value chain via surveillance, audits, training, and testing.
- First aid, fire safety, food hygiene, basic health and safety training provided to employees.
- Zero incidences of injury were reported during the year under review.

COVID-19 response

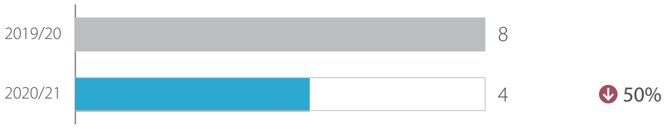
- Increased sanitisation at all locations with attention to high contact areas.
- Provision of adequate PPE, particularly in high exposure areas and functions.
- Awareness programmes for staff on safety measures to minimise the impact of COVID-19.
- Adoption of Government and Ministry of Health guidelines into all operations and site management arrangements of contractors/engineers.
- Opportunities to 'work from home', on shift and roster basis, as applicable, for employees, to minimise exposure to COVID-19.
- Random PCR testing at operational sites for early detection and control of the spread of COVID-19.
- Development of standard operating procedures to ensure business continuity under various stressed scenarios.

272
Number of Employees

Training (Hours)



Training per Employee (Hours)



Health and Safety training conducted for contractors.

Social and Relationship Capital

The industry group continued in its efforts to maintain and strengthen relationships with its diverse stakeholders. Additional efforts were made to support the community on challenges faced due to COVID-19.

SIGNIFICANT SUPPLIERS - PROPERTY DEVELOPMENT

- Construction contractors
- Architects and interior designers

SIGNIFICANT SUPPLIERS - RHL

- Food and beverage and amenities suppliers
- Travel agents and travel websites
- Casual employees

Material topics and focus areas are as follows;

8 DECENT WORK AND ECONOMIC GROWTH

Supply Chain Management and Community Engagement

Relevance: Entrenching sustainability in the supply chain through supplier engagement thereby reducing risk and proactive community engagement towards building trust and promoting brand image

Targets and initiatives during the year:

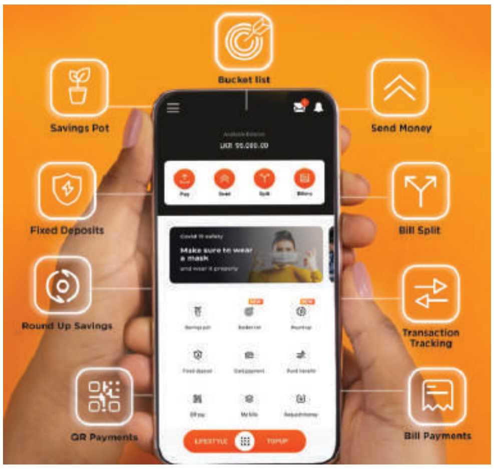
Community development

- Continued its collaboration with John Keells Foundation (JKF) in its 17-year public-private partnership with Sri Lanka Railways for refurbishing and maintaining the historic Slave Island railway station for the benefit of large numbers of commuters travelling to and from the city.
- The industry group funded and installed 8 handwashing stations at the Slave Island and Bambalapitiya railway stations and collaborated with JKF in disinfecting 5 schools and installing handwashing stations in 3 schools in Colombo 02.
- Supported JKF in its livelihood development endeavours under John Keells 'Praja Shakthi' in Colombo 02, through:
    - Ongoing needs assessment of infrastructure and capacity development activities to support street vendors and women engaged in catering services, particularly given additional challenges following the COVID-19 pandemic.
    - Creating opportunities for daily wage earners (both unskilled and semi-skilled) affected by COVID-19 to work in construction sites in Colombo 02.
- 3 English scholarships were awarded under JKF's English Language Scholarship Programme to high-performing school children in Rajawella.

Supplier development

- Training sessions, including on-the-spot, special and refresher trainings, 'tool box talks', chemical handling, stores management, firefighting, emergency evacuation and Control of Substances Hazardous to Health Regulations (COSHH) were completed for workers at 'Cinnamon Life' and 'Tri-Zen'.
- All companies reviewed and tested business continuity plans on a regular basis to ensure risk management and adaptability, with additional focus and revisions made in light of COVID-19.
- Awareness sessions conducted by resource personnel from the National Hospital of Sri Lanka for tenants' staff, housekeeping and janitorial staff attached to mall operations on best practice in adherence to COVID-19 guidelines.
- Full waiver of rent to tenants in all three malls during the lockdown, where malls remained closed to the public. Further, rent discounts were offered upon recommencement of mall operations.

FINANCIAL SERVICES



Nations Trust Bank

Industry Group Structure

Insurance

- Comprehensive life insurance solutions through Union Assurance PLC (UA).
- General insurance solutions through Fairfirst Insurance Limited (FIL).

Banking

- End-to-end banking solutions through Nations Trust Bank PLC (NTB).
  - Network of branches for corporate, retail and small and medium enterprises (SMEs).
  - Sole acquirer of the flagship centurion product range of American Express cards in Sri Lanka.
  - Largest issuer of credit cards in Sri Lanka.

Stockbroking

- Stockbroking services through a leading stockbroking company in Sri Lanka, John Keells Stock Brokers (JKSB).
  - Number of trade execution relationships with high-net-worth individuals, institutional investors, leading foreign securities houses and retail clients via an 'online trading portal'.

Contribution to the John Keells Group

14% Revenue

42% EBIT

5% Capital Employed

1% Carbon Footprint

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	76,080	60,058	27	53,630
Total equity	19,465	18,376	6	17,244
Total debt[1]	143	331	(57)	409
Capital employed[2]	19,906	18,972	5	17,653
Employees[3]	824	877	(6)	797

Outputs (Rs.million)	2020/21	2019/20	%	2018/19
Turnover[4]	20,890	19,675	6	18,931
EBIT	3,360	2,755	22	3,021
PBT	3,360	2,755	22	2,966
PAT	2,497	2,222	12	4,007
EBIT per employees	4	3	30	4
Carbon footprint	992	1,388	(29)	1,383

1. Excludes lease liabilities.

2. For equity accounted investees, capital employed is representative of the Group's equity investment in these companies. This is inclusive of lease liabilities.

3. As per the sustainability reporting boundary.

4. Revenue is inclusive of the Group's share of equity accounted investees.

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Sri Lanka's financial services industry recorded a 11 per cent growth in CY2020 [CY2019: 2 per cent]. The industry contributed 9 per cent to GDP during the year [CY2019: 8 per cent].
- The insurance industry recorded total assets at Rs.790.1 billion in CY2020, a 15 per cent growth against the previous year [CY2019: Rs.689.6 billion] while gross written premium (GWP) noted a 10 per cent increase to Rs.208.6 billion [CY2019: Rs.190.2 billion].
- The life insurance industry recorded a 16 per cent growth in GWP during CY2020, amounting to Rs.103.00 billion [CY2019: Rs.88.77 billion]. The growth in premiums were mainly driven by growth in group life and single premium products which in total grew by 92 per cent whilst regular new business premiums recorded a 51 per cent growth.
- Private sector credit growth increased to 6.5 per cent in CY2020 [CY2019: 4.2 per cent], driven by an accommodative monetary policy and various relief measures extended to the private sector to revive the economy.
- Industry gross non-performing loans (NPL) increased marginally to 4.9 per cent in CY2020 as a result of weak economic conditions [CY2019: 4.7 per cent].
- The Colombo Stock Exchange (CSE) was closed for trading from 20 March to 11 May 2020 due to the island-wide lockdown imposed to control the spread of COVID-19. Trading hours till 25 May 2020 were restricted to 2 hours, and to 3.5 hours thereafter, in comparison to the usual 5 hours of trading.
- The All Share Price Index (ASPI) of the CSE recorded a 10.5 per cent gain in CY2020 [CY2019: 1.3 per cent], the highest annual increase of the index since CY2014 whilst the Standard and Poor's Sri Lanka 20 (S&P SL20) index noted a 10.2 per cent decrease [CY2019: negative 6.3 per cent].
- Net foreign outflows amounted to Rs.51.3 billion in CY2020 on account of dampened investor sentiment in line with trends exhibited in emerging and frontier markets. Foreign purchases amounted to 20 per cent of total turnover in comparison to 36 per cent reported in CY2019.
- Daily average turnover stood at Rs.1.9 billion in CY2020, a 168 per cent increase against the previous year [CY2019: Rs.711 million], driven by high domestic investor participation in comparison to CY2019. The daily average turnover recorded in CY2020 was the highest daily average turnover recorded for a year since CY2011.

Key Policy and Regulatory Highlights

- The Central Bank of Sri Lanka (CBSL) adopted an accommodative monetary policy stance during the year. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were reduced 5 times by a total of 250 basis points (bps) each with the rates at 4.5 per cent and 5.5 per cent as at March 2021, respectively, whilst the Statutory Reserve Ratio (SRR) was reduced twice by a total of 300 bps to 2 per cent as at March 2021.
- Removal of debt repayment levy (DRL) and nation building tax (NBT) on financial services.
- CSE implemented the following:
  - Automation of central depository system (CDS) account opening.
  - Electronic trade confirmations and account statements.
  - Digitisation of the rights issue subscription by shareholders.

COVID-19 Reliefs

- The CBSL introduced a range of extraordinary regulatory measures through the banking industry to support impacted businesses. These initiatives included debt moratoriums, lax debt recovery measures, special lending schemes at concessionary rates and interest rate caps on select lending products.
- The Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced a 3-month payment moratorium on policyholder insurance premiums.
- IRCSL also introduced robust regulatory requirements such as the requirement to report Risk Based Capital (RBC) disclosures on a monthly basis.

Insurance

Despite the challenging operating environment in light of the pandemic, the Life Insurance business, Union Assurance (UA) recorded a notable performance during CY2020. The business recorded a 13 per cent growth in GWP in CY2020, which amounted to Rs.13.11 billion [CY2019: Rs.11.65 billion]. However, regular new business premiums recorded a 15 per cent growth in CY2020 in comparison to the industry growth at 51 per cent, ranking UA as the fourth largest regular new business producer in the industry.

The agency channel continued to be the primary driver of revenue, recording a revenue of Rs.10.85 billion in CY2020 [CY2019: Rs.9.97 billion], accounting for 83 per cent of GWP. This was driven by initiatives such as realignment of agent incentive structures, launch of the 'Million Dollar Round Table' (MDRT) talent pool programme, formation of a dedicated business development unit and the strategic branch rebranding and restructure. The bancassurance channel recorded a notable growth at 23 per cent, albeit off a lower base, increasing its contribution to GWP. To this end, UA also renewed the exclusive bancassurance partnership contract with NTB for an extended period of 5 years. The alternate channel, which acts as a complementary channel to the agency and bancassurance channels, recorded an encouraging performance during the year under review marking its first year of operations.

The business continued to maintain a strong solvency position, despite the volatile market, with the Capital Adequacy Ratio (CAR) at 341 per cent as at CY2020, significantly above the minimum of 120 per cent CAR threshold stipulated by the IRCSL. Total assets under management as at Rs.62.60 billion in CY2020, was a 13 per cent growth [CY2019: Rs.55.25 billion]. UA's investment portfolio stood at Rs.52.36 billion, recording a 17 per cent growth in CY2020, despite the prevailing low interest rate regime.

Claims and benefits to policyholders recorded an 8 per cent growth to Rs.3.79 billion primarily in lieu of maturity payouts in line with UA's contractual obligations whilst underwriting and net acquisition costs increased by 15 per cent in line with revenue growth.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

The Life Insurance business recorded a surplus of Rs.825 million [CY2019: Rs.1.00 billion] as per the actuarial valuation carried out during the year. The distribution of a one-off surplus of Rs.3.38 billion - attributable to non-participating and non-unit fund of unit linked business, which was transferred from the life policyholder fund to the life shareholder fund in 2017/18 based on the directive dated 20 March 2018 issued by IRCSL to the entire insurance industry - continues to remain restricted subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL.

During CY2020, UA continued its 'digital first' business model in line with its mission of positioning itself as the foremost digital life insurance company in Sri Lanka. To this end, the following initiatives were carried out:

- Launch of 'Clicklife', a turnkey end-to-end digital insurance solution and the 'Clicklife self-services app', that provides customised solutions at a click of a button. Clients gain access to their policies and related details including balances, dues, claim status and loan submission. The user-friendly interface, real-time updates and omission of tedious paperwork has made 'Clicklife' a modern-day customer service solution.
- The 'lapse prevention project' which uses advanced data analytics to predict insurance policies that are likely to lapse in a period of 3-6 months and recommend customer-specific interventions.

COVID-19: IMPACT AND MITIGATION AT UA

In adapting to the challenges that prevailed during the pandemic, UA adopted a forward-looking digitalised approach combined with prudent cost management strategies.

Impact

- The imposition of the lockdown in March 2020 restricted operations of the island-wide branch network and on-site operations at the head office.
- Sales across all channels were disrupted with agents and insurance relationship officers (IROs) being unable to access customers through traditional forms of engagement.
- The lower interest rate trajectory impacted investment returns of life insurers leading to a reduction in margins.

Measures Taken

- Realigned the asset allocation strategy and rebalanced the investment portfolio to optimise returns to address the low interest rate regime.
- Launched digital products and implemented digital engagement channels such as its first mass scale e-platform 'Clicklife', and expansion of the functionality of the digital customer portal to enable remote premium collection.
- Commenced 24/7 call centre operations.
- Automation of processes relating to new business and claims review and feedback within 48 hours to ensure an uninterrupted service.
- 50 per cent of the planned annualised new business premiums (ANBP) and 77 per cent of the planned GWP were achieved during March - June 2020, through digital means.
- A cost control committee was set up to manage expenditure supported by several cross functional initiatives focused on expense realignment and cash flow management, yielding a total cost benefit of ~Rs.80 million.
- Introduced a free COVID-19 life cover for policyholders.
- First insurance provider in the market to negotiate with reinsurers and extend its hospital cash benefit product for quarantine treatments.
- Introduced a group surgical product, enabling greater market penetration and earnings growth in the B2B life insurance segment.

AWARDS

- No. 1 position in Sri Lanka setting a new record of 172 'Million Dollar Round Table' (MDRT) qualifiers. MDRT association is a member-based, international network of leading insurance and investment financial services professionals.
- 'Domestic Life Insurer of the Year', 'New Insurance Product of the Year', and 'Digital Insurance Initiative of the Year' at the Insurance Asia Awards 2020.
- Insurance sector winner in the inaugural ranking of 'LMD's Most Awarded'.
- 'Best Brand', 'Sustainable Marketing Excellence', and the 'Best Employer Brand' at the Chief Marketing Officer (CMO) Global, CMO Asia and the World Human Resource Development (HRD) Congress, respectively.
- Winner of 'Great Place to Work' title for the 8^{th} consecutive year.

Banking

NTB's agile and digitally savvy nature augured well during the challenging year under review, with the Bank demonstrating strong resilience. The Bank continued to manage its risk-return dynamics and curtail lending to certain segments in view of a deterioration in economic conditions which witnessed an industry-wide erosion in credit quality and a moderation in risk appetite, resulting in a 7 per cent contraction in loans and advances in CY2020. Lacklustre credit demand from the private sector also contributed to this contraction. The deposits base recorded a 6 per cent increase, due to a moderation in consumer spending.

Additionally, the low interest rate trajectory, interest rate caps, debt moratoria and concessionary loans coupled with dampened credit demand also impacted net interest income (NII), which recorded a 15 per cent decline to Rs.13.67 billion in CY2020. In tandem, net interest margin (NIM) contracted to 4.1 per cent as at CY2020 [CY2019: 4.9 per cent].

The deposits base recorded a 6 per cent increase, due to a moderation in consumer spending.

Efficient cost management initiatives aided the Bank in reducing operating costs by 9 per cent, which favourably impacted the cost to income ratio which stood at 46.3 per cent in comparison to 47.9 per cent in CY2019, considerably better than the industry average of 52.4 per cent. Impairment charges increased by 16 per cent, in contrast to the overall industry which recorded a 37 per cent increase in impairment charges. The NPL ratio increased to 7.2 per cent given the challenging external environment [CY2019: 6.2 per cent].

NTB secured a USD 20 million funding line from a development finance institution during the year. This, coupled with an increase in the capital base, aided the Bank in strengthening its capital position whilst maintaining adequate capital buffers in line with regulatory requirements. The Bank's Tier I capital and total capital ratios stood at 14.8 per cent and 18.3 per cent, respectively [CY2019: 13.3 per cent and 18.0 per cent, respectively]. The Bank's total capital ratio remains comfortably above the required threshold of 12.0 per cent under the Basel III framework.

NTB continued to focus on its customers by offering tailor-made solutions and flexible repayment schemes. The Bank also focused on its digital offering by enhancing the direct banking platform, 'FriMi' and digital onboarding of customers. 'FriMi' was strategically repositioned from a wallet-based offering to a fully-fledged digital bank which includes features such as account creation and digital onboarding. NTB was also successful in maintaining its position as the largest issuer of credit cards in Sri Lanka. As a result of these initiatives, digital transactions accounted for 82 per cent of the Bank's total transactions, in comparison to 72 per cent in CY2019. Customer satisfactory score and net promoter score improved to 96 per cent and 76 per cent, respectively [CY2019: 92 per cent and 72 per cent, respectively].

AWARDS

'FriMi'

- 'Best New Digital Bank in Sri Lanka 2020' by Global Banking and Finance Awards.
- Ranked among 'Sri Lanka's Top 10 E-commerce Brands 2020' by LMD.
- Gold award in the 'Digital Brand Bravery' category at SLIM DIGIS 2.0.

COVID-19: IMPACT AND MITIGATION - NTB

The unprecedented nature of the challenges during the year, necessitated a robust and proactive approach to cost and risk management. To this end, NTB adapted to the ever changing 'new normal' by placing emphasis on operational efficiencies, digitisation initiatives and providing customer centric services.

Impact

- Regulations imposed by CBSL adversely impacted NII and exerted pressure on NIMs.
- Regulation governing credit card interest and fee waivers, imposed for a limited time, affected the consumer banking sector.
- Restrictions on imports impacted the leasing business segment.
- Lacklustre performance of the economy, resulting in reduced disposable income affected loan profiles and impairment.

Measures taken

- Disbursed Rs.1.80 billion under the 'Saubhagya COVID-19 Renaissance Facility' of CBSL.
- Launched the 'Nations Diriya Loan Scheme', a Rs.7.00 billion internally generated fund with the aim of providing working capital facilities for exporters and local manufacturers.
- Managed risk-return dynamics and optimised lending across the segments.
- Rolled out a range of digitisation initiatives such as the digitalising of the delivery platform, enhancing the mobile banking platform, 'FriMi', and the automation of customer onboarding.
- Focused on portfolio quality through data analytics and customer scorecards.
- Dispatched mobile ATMs for customers during the lockdown period.
- Conducted proactive negotiations with suppliers.
- Established a cost management unit within the finance functions to proactively identify avenues for cost control.

Stockbroking

Whilst the prolonged economic downturn following the spread of COVID-19 presented JKSB, the stockbroking arm of the Group, with significant challenges at the outset, this reversed towards the third quarter of the year under review with a gradual tapering thereafter. Market performance was adversely impacted by the closure of the CSE from 20 March 2020 to 11 May 2020 and external pressures stemming from a flight of funds in the first half of the year under review. However, the prevailing low interest rate regime coupled with a notable increase in domestic participation aided a recovery in the equity market indices and a significant rise in market turnover levels.

JKSB continued to focus on updating its processes and systems to improve alignment with client needs during the year, particularly in light of the challenges posed by the pandemic. To this end, the business adopted digitalised solutions and efficient cost management methods to strengthen front and back-office operations. In furtherance of better addressing client requirements, the business launched an online platform for investors whilst also conducting client engagement sessions and investor fora via the platform.

'Clicklife', a turnkey end-to-end digital insurance solution.

'Nations Diriya Loan Scheme', an internally generated fund with the aim of providing working capital facilities for exporters and local manufacturers.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

As the key businesses within the industry group comprise of the Banking and Insurance sectors, the ensuing discussion will predominantly focus on PBT and PAT, in order to capture the net earnings of the businesses as reflected in the financial statements of the Group.

Rs.million	2020/21	2019/20	%
PBT*			
Insurance	1,596	1,500	6
Banking	1,594	1,291	23
Stockbroking	170	(36)	574
Total	3,360	2,755	22

** Share of results of equity accounted investees are shown net of all related taxes.*

Insurance

- Although the performance of the business was impacted in the months of April and May 2020, the business witnessed a strong recovery in its GWP with the easing of restrictions in May. This recovery momentum continued across the quarters.
- GWP increased by 18 per cent during the year under review [2019/20: 5 per cent]. The growth in GWP was driven by a 24 per cent increase in regular new business premiums and an increase in renewal premiums.
- Benefits and claims increased by 15 per cent to Rs.3.90 billion [2019/20: Rs.3.39billion] on account of higher maturity payouts in accordance with contractual obligations. Net claims amounted to 29 per cent of net written premiums [2019/20: 30 per cent].
- Underwriting and net acquisition costs increased by 19 per cent to Rs.2.27 billion in line with GWP growth.
- Investment income in 2020/21 stood at Rs.5.16 billion, a 10 per cent growth in comparison to 2019/20, supported by a realignment of the asset allocation, despite a decline in market interest rates.
- Despite the non-recurring expenses incurred in lieu of the strategic brand restructure and rebranding, the business managed to curtail the growth in operational expenses to 3 per cent during the year under review, supported by stringent cost optimising strategies rolled out across the business.
- Life insurance contract liabilities including unit-linked funds increased by 18 per cent to Rs.45.20 billion, due to an increase in contract liabilities by Rs.6.97 billion.
- Change in contract liabilities in lieu of the life fund increased by 25 per cent to Rs.7.03 billion.
- UA recorded an annual life insurance surplus of Rs.825 million 2020/21, a decline against the life insurance surplus of Rs.1.00 billion recorded in the previous year.
- Fairfirst Insurance Limited, an equity accounted investee under UA, with interests in the general insurance industry, recorded a 24 per cent increase in PAT.

Banking

- Despite the challenging environment which resulted in a decline in revenue, NTB recorded an increase in profitability, given focused recovery efforts, cost management strategies and higher investment income.
- NTB recorded an 8 per cent decline in NII on the back of lower interest rates, interest rate ceilings, debt moratoria, and concessionary loan facilities extended to COVID-19 affected businesses whilst subdued demand for credit also hampered NII growth.
- The impairment provision increased by 8 per cent mainly due to the additional provisions made in relation to elevated risk industries as a result of COVID-19. However, the NPL ratio remained static at 6.16 per cent in comparison to 6.23 per cent in 2019/20.
- Focused cost management strategies enabled the business in reducing operating expenses by 9 per cent, resulting in an improvement of the cost-to-income ratio to 43.4 per cent during the year under review [2019/20: 46.0 per cent].

Stockbroking

- The Stockbroking business recorded a 197 per cent increase in revenue during the year under review, driven by a strong recovery in activity in the CSE towards the latter end of the year [2019/20: negative 33 per cent].
- Various initiatives aimed at managing its operational cost which resulted in productivity and cost efficiencies, coupled with a better absorption of fixed costs given the notable increase in revenue, contributed to the triple digit growth in profitability.

Rs.million	2020/21	2019/20	%
PAT*			
Insurance	777	959	(19)
Banking	1,594	1,291	23
Stockbroking	126	(28)	555
Total	2,497	2,222	12

** Share of results of equity accounted investees are shown net of all related taxes.*

- Although PBT of the Life Insurance business remained steady against the previous year, the business recorded a higher tax expense in 2020/21 which impacted profitability. This was driven by:
  - An increase in the tax expense as a result of an expiry of claimable periods.
  - An impairment on notional tax credits of the business.
- Changes to the tax regime effective 1 January 2020, with the removal of DRL and NBT on financial services, resulted in a decrease in the tax expense, as the business was subject to DRL and NBT for 9 months of 2019/20 in contrast to the current year under review, where the business was not subject to both DRL and NBT. The revision of the income tax rate applicable to the banking sector from 28 per cent to 24 per cent effective 1 January 2020, also had a positive impact.

Natural Capital

The impact on the Financial Services industry group's operations on the environment is comparatively lower than other operations, given its service-oriented nature of business. Regardless, the industry group makes continuous efforts to reduce its environmental footprint, wherever possible.

Material topics and focus areas are as follows:

Energy and Emissions Management

Relevance: Regulatory and brand reputation implications

Targets and initiatives during the year:

Energy efficiency

- Minimise environmental impacts through energy conservation initiatives and sustainable infrastructure management such as replacement of traditional light bulbs with energy efficient LED bulbs as and when required.

Water, Waste and Effluent Management

Relevance: Regulatory and brand reputation implications

Targets and initiatives during the year:

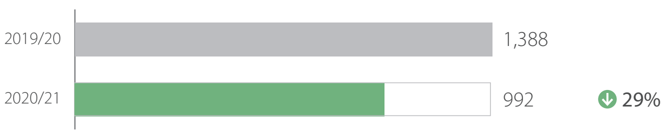
Water efficiency

- Striving to minimise environmental impacts through sustainable water conservation initiatives and infrastructure management.

Waste management and effluent discharge

- Effluents discharged met requisite water quality standards, where relevant.
- Continued operation of a wastewater treatment plant at a UA branch in Kurunegala.
- Responsible disposal of e-waste through certified third-party vendors.
- Waste recycled by third-party recyclers included;
  - 270 fluorescent bulbs
  - 15,572 kg of paper
  - 1,040 kg of food waste
  - 60 kg of plastic

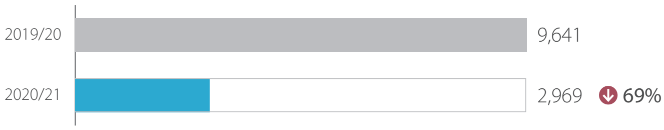
Carbon Footprint (MT)



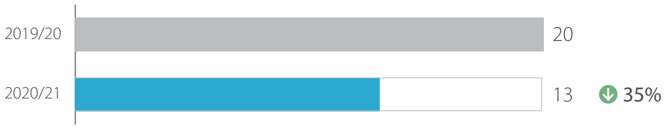
Human Capital

Given that Human Capital is considered one of the key resources in the industry group, several initiatives were carried out throughout the year to ensure employees were provided with a safe working environment. The industry group also continued building high performance teams through curated training and development programmes.

Training (Hours)



Injuries (Number)



**The above indicators relevant to 2020/21 have been impacted by COVID-19 work disruptions*

Material topics and focus areas are as follows:

Health and Safety

Relevance: Providing a safe working environment to improve employee productivity

Targets and initiatives during the year:

Health and safety

- The annual fire evacuation drill was conducted at the UA head office in association with the Colombo Fire Brigade.

COVID-19 response

- Increased adoption of business continuity plans and awareness creation amongst staff on business protocols.
- UA commenced 'work from home', where applicable, ensuring necessary steps were taken to define all critical processes and operate with minimum interruptions.
- Workplace safety procedures, such as temperature checks upon entry, mandatory use of face masks and hand sanitisation facilities were rolled out at all locations.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

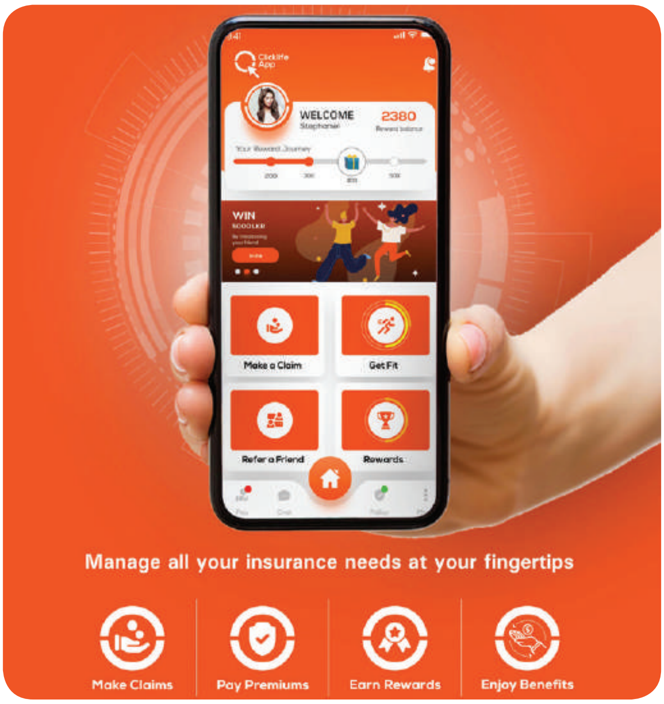
Talent Management

Relevance: The need to continuously upgrade the skills of existing staff

Targets and initiatives during the year:

Training and development

- For the first time in history, UA emerged as the largest producer of 'Million Dollar Round Table' (MDRT) professionals in Sri Lanka, with 172 MDRT qualifiers, including 10 Court of the Table (COT) and 5 Top of the Table (TOT) achievers. MDRT is a global premier association of life insurance and financial services professionals, whilst COT and TOT are standard targets for MDRT members.
- Introduction of the HIPO (High Potential Individuals) programme which aims to develop employees at mid-level positions on cross functional areas and assist in talent identification.
- Introduction of the SMT (Senior Management Team) programme covering high level decision-making and idea generation platforms to aid career development and succession planning.
- A virtual forum titled 'Balance for Better' was held for all female employees on International Women's Day.



Union Assurance introduced the 'Clicklife' self-service app.

Social and Relationship Capital

Several engagements were carried out throughout the year for the stakeholders of the industry group aimed at empowering communities, fostering greater productivity and efficiency within the industry and economy. The industry group routinely engaged with customers, whilst maintaining a high level of productivity and efficiency in relation to service delivery. The industry group operated in accordance with statutory obligations and the Code of Conduct specified by the Group.

Community engagement activities during the year were aimed at supporting better living conditions within the community and preventing diseases.

SIGNIFICANT SUPPLIERS

- Reinsurance partners
- Janitorial services providers
- Security services providers
- Bancassurance partners

Material topics and focus areas are as follows;

Customer Satisfaction

Relevance: Negative impact on key customer accounts, investor, and client confidence

Targets and initiatives during the year:

- UA launched the first free COVID-19 cover and hospitalisation claims in the life insurance industry.
- Submission of insurance proposals from claims management to servicing were permitted via a digital platform at UA in support of business continuity during the lockdown period.
- A 24/7 hotline and chat feature were activated to accommodate customer complaints during the lockdown period, ensuring continuous support to UA customers.
- Continuous dialogue with the customer base through regional and zonal managers, to strengthen customer well-being, whilst extending support on premium payments and renewals.
- UA introduced the 'Clicklife' self-service app to stimulate in-app premium payments, claims, and policy loan submissions, amongst other functions.

Community Engagement

Relevance: Proactive community engagement towards building trust and promoting brand image

Targets and initiatives during the year:

- 'Sisumaga+', a protection-based education plan for children was launched by UA. Further, in partnership with SOS Children's Village, UA supported the education needs of 170 underprivileged children in Nuwara Eliya and Monaragala.
- UA offered a scholarship scheme to 5 children from the School for the Deaf and Blind in Ratmalana, which enables each recipient to receive Rs.1 million over 10 years to pursue their higher education.
- UA distributed essential items with the support of the Government Medical Officers' Association (GMOA) to 650 persons in elders' and children's homes in the Uva, Southern and North Western provinces.
- UA distributed food packs to 500 households in the Wanathamulla housing scheme, which was declared an isolated area, at the time, due to the spread of COVID-19.
- Under JKF's 'Project WAVE', UA launched a company-wide campaign on zero tolerance on workplace harassment and gender-based violence, including an email and poster campaign and awareness sessions, for 150 staff.
- Under JKF's English Language Scholarship Programme, 9 scholarships were awarded to high-performing school children in Vavuniya.
- UA facilitated ground support to JKF in coordinating the closure of JKF's 7-year Village Adoption Project in Mullaitivu and participated at the public vesting of the anicut built in Iranaipalai to support farm irrigation.

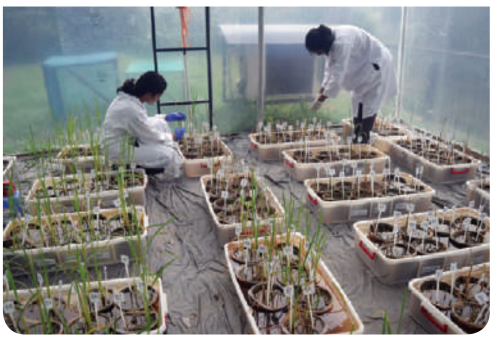
Ethics, Fraud, and Corruption

Relevance: Impact on brand reputation and possible regulatory non-compliance

Targets and initiatives during the year:

- Ensured coverage of fraud, corruption, and unethical behaviour under the overall risk management process of the Group and statutory requirements.
- Training on anti-money laundering was provided to 968 distributors and bancassurance agents of UA through video modules.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES



Industry Group Structure

Information Technology

IT Services

- John Keells IT (JKIT) - a boutique IT consultancy and professional services organisation with a vision to simplify and digitally transform organisations to be relevant in the data-driven experience economy.
- Key focus areas:
  - Core solutions and transformation services.
  - Cloud solutions and transformation services.
  - Software solutions and transformation services.
  - Smart solutions and transformation services.

IT-Enabled Services

- Infomate - a business process outsourcing (BPO) service provider with the mandate of driving greater efficiencies for their clientele.
- Key focus areas:
  - Finance and accounting.
  - Payroll management.
  - Data digitisation.

Plantation Services

- John Keells PLC (JK PLC) – a leading tea and rubber broker.
- Tea Smallholder Factories PLC (TSF):
  - Operates 7 factories.
  - Leading manufacturer of low grown Orthodox and CTC teas in the country.
  - John Keells Warehousing (JKW) – operates a state-of-the-art warehouse for pre-auction produce.

Other

- JKH (Holding Company) and other businesses (Centre Functions/Divisions).

Contribution to the John Keells Group

3%	37%	19%	3%
Revenue	**EBIT**	**Capital Employed**	**Carbon Footprint**

Key Indicators

Inputs (Rs.million)	2020/21	2019/20	%	2018/19
Total assets	81,241	43,096	89	56,329
Total equity	30,367	38,495	(21)	40,996
Total debt[1]	47,562	2,705	1,658	13,222
Capital employed[2]	77,930	41,200	89	54,218
Employees[3]	1,196	1,335	(10)	1,303

Outputs (Rs.million)	2020/21	2019/20	%	2018/19*
Turnover	3,949	3,803	4	3,754
EBIT	2,907	1,178	147	4,061
PBT	3,291	2,817	17	5,915
PAT	2,356	2,065	14	3,861
EBIT per employee	2	1	175	3
Carbon footprint	2,543	3,012	(16)	3,255

1. Excludes lease liabilities.
2. Includes lease liabilities.
3. As per the sustainability reporting boundary.

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

Information Technology

- Businesses across the globe continued to invest in technology to accelerate the digitisation of operations and value chains whilst exploring avenues for transformation in creating better value for all its stakeholders.
- During the year, the pace of digitisation accelerated with the outbreak of COVID-19 as brick and mortar activities were curtailed and relevant initiatives were carried out to sustain the 'new normal'.
- The industry witnessed increased demand for integrated solutions that aided the aforementioned transformation to the 'new normal', in terms of core modernisation, cloud enablement, collaboration, mobility, location based services, hyperautomation, advanced analytics, digital identity management, cyber resilience, managed services and other solutions stacks.
- Challenges on the back of the COVID-19 pandemic impacted the information technology industry, locally, due to the economic downturn, and internationally, due to travel restrictions which caused an inflationary pressure on growth and impacted regional expansion.
- Prior to the impact of COVID-19, Sri Lanka's information technology and BPO industries increased its exports by threefold whilst doubling its workforce from 2015 to 2020, thereby recording a growth of 120 per cent during this period. Current exports from the industry stand at over USD 1 billion, a key growth area in the economy and the fifth largest export segment. As per Sri Lanka's National Export Strategy 2018-2022 (NES) the industry envisions USD 5 billion in revenue and 1,000 start-ups by 2022. Sri Lanka continued to gain traction as a global BPO destination. To this end, the destination was also ranked 25th among the 'Top 50 Global Outsourcing Destinations in 2019' by AT Kearney.

Plantation Services

- Global tea production contracted in CY2020 due to adverse weather conditions in many major tea producing countries. Kenya, was one of the only exceptions, recording a notable increase in production largely in lieu of a lower base as CY2019 was characterised by lower production on the back of a drought. Global tea production decreased by 2 per cent to 6.01 billion kg in CY2020, with China continuing to be the largest source market.
- Sri Lanka recorded a marginal decline in tea production to 278,489 MT during CY2020 [CY2019: 300,134 MT] with both high grown and low grown production declining by 1 per cent and 11 per cent, respectively. The decline in production was primarily due to adverse weather conditions and supply chain challenges.
- Sri Lanka tea exports for CY2020 stood at 265.6 million kg in comparison to 292.7 million kg recorded in CY2019. Turkey retained the number one position as the largest importer of Sri Lankan tea in CY2020 followed by Iraq, Russia, Iran, and China. Further, China and Chile recorded a 19 per cent and 30 per cent increase in imports, respectively.
- Given global supply-demand dynamics, average tea prices at the Colombo Tea Auction increased by Rs.87.18 per kg to an average price of Rs.633.85 in CY2020 in comparison to the average price of Rs.546.67 in CY2019.

Key Policy and Regulatory Highlights

- Effective 5 March 2021, the daily wage of plantation workers was increased to Rs.1,000, entailing a basic salary of Rs.900 and a budgetary allowance of Rs.100 per day. Factory workers at TSF are also entitled to this increase.

COVID-19 Reliefs and Initiatives

- The Colombo Tea Auction transitioned onto an electronic platform for the first time in history in April 2020, given strict curfew measures imposed by the Government to curtail the spread of COVID-19, at the time. This initiative was undertaken by the Colombo Tea Traders' Association (CTTA) and supported by the Colombo Brokers' Association (CBA). The tea auction continues to effectively operate through this online platform to-date.
- In order to sustain the tea export industry, the Government suspended Cess of Rs.3.50 charged per kg of tea for a period of 6 months.

Information Technology

John Keells IT (JKIT) sustained its growth momentum in the year under review by strengthening global partnerships and adopting prudent cost curtailment measures. JKIT further augmented its partnerships with SAP, Microsoft, and UiPath across Sri Lanka, United Arab Emirates (UAE), and Qatar, which enabled the business to acquire an elevated level of accreditation as a 'Gold level' partner with all three entities.

The solutions stacks were rebranded as 'JKIT-Core', 'JKIT-Cloud', 'JKIT-Platforms', and 'JKIT-Ecosystems' with four strategic business units focusing to deliver an end-to-end value proposition.

INDUSTRY GROUP REVIEW

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The COVID-19 pandemic exerted pressures on the business's expansion strategy across international markets. As a result, Go-to-Market (GTM) partnerships and operations in Sri Lanka, Asia Pacific (APAC) and Middle East and North Africa (MENA) regions were consolidated. The business also deferred projects envisaged for the year, given pandemic induced constraints. Despite these challenges, the business was successful in strengthening its relationship with international partners, with JKIT being recognised as the SAP partner centre of expertise (PCOE) in the MENA region and a global Microsoft power business intelligence (BI) partner.

During the year under review, the solutions stacks were rebranded as 'JKIT-Core', 'JKIT-Cloud', 'JKIT-Platforms', and 'JKIT-Ecosystems' with four strategic business units focusing to deliver an end-to-end value proposition. Further, JKIT expanded its portfolio of services by providing training on its power platform to both internal and external customers. JKIT, as a Microsoft global learning partner, also conducted training sessions in the Middle East and South East Asian regions.

In order to enable seamless operations across multiple time zones, the business streamlined its core processes of pre-sales, sales, delivery and support on a cloud-based platform. With the aim of further strengthening the brand, JKIT conducted digital and print media campaigns including a series of webinars co-branded with the business's principal partners and clients.

During the year under review, JKIT focused on delivering innovative solutions to clients by providing consultative solutions and services across the four value stacks of 'Core', 'Cloud', 'Platforms' and 'Ecosystems'. To this end, the business launched a multitude of IT based solutions such as:

- Smart Office - A single platform encompassing multiple processes with built-in features to provide a customisable, secure, and comprehensive solutions for all types of workflows.
- Smart Homes - JKIT in collaboration with Sri Lanka Telecom PLC, introduced a turnkey smart home consumer solution exclusively for residents of 'Tri-Zen'. The proposed smart-living package will feature a single integrated portal for homeowners to monitor and automate the apartment through a smart phone application.
- Smart Retail - A multifaceted mobile application offering simple yet interactive shopping experiences to customers, whilst providing critical insights to retailers to enhance customer experience. The Supermarket business of the Group leverages on this mobile application to provide its customers the ability to virtually browse a complete product catalogue and available deals, whilst enabling a more personalised shopping experience.
- Smart Airports - A bespoke mobile application offering a contactless boarding process at airports, ensuring minimal interaction with airport staff.
- Smart Automotive - A platform which assists in the adoption of robotic process automation (RPA) within organisations.

Despite the challenges encountered on the back of the COVID-19 pandemic, the Group's BPO operations in Sri Lanka, Infomate, recorded an encouraging performance during the year under review. In addition to its key client accounts, which the business continued to sustain during the year, the business was also successful in acquiring new business, particularly from the Middle East, thereby expanding its geographic footprint. Expansion of its portfolio of services, through the establishment of additional help desk services, human resources (HR) outsourcing services and lead generation services aided the business in continuing its growth momentum.

AWARDS

- John Keells IT

  Microsoft
  - SAP Azure Partner of the Year 2019/20
  - Migrate Partner of the Year 2019/20
  - Innovate Partner of the Year - Sri Lanka and the Maldives 2019/20

  UiPath
  - Partner of the Year 2020
  - UiPath Excellence in Automation Awards Sri Lanka 2020
- Infomate
  - First place – Sri Lanka Association of Software and Services Companies (SLASSCOM) RPA in the Business Process Management (BPM) category

The Colombo tea auction proactively transitioned to an online platform with the onset of COVID-19.

Plantation Services

The tea industry remained resilient during the year under review, despite the challenges encountered with the outbreak of COVID-19. Given the restrictions in movement and the need to adhere to stringent guidelines of health authorities, the Colombo Tea Traders Association (CTTA) and Colombo Brokers Association (CBA) proactively implemented an online digital tea auction system in April 2020 to ensure business continuity even during lockdowns. This timely initiative proved to be fruitful to the industry and to Tea Smallholder Factories PLC (TSF), as Sri Lanka emerged as the first tea exporter to resume tea auctions, with the cessation of operations being limited to two weeks.

Despite the adverse weather conditions that prevailed during the year under review, TSF recorded a 6 per cent increase in volumes. Volumes at TSF stood at 3,631 MT in 2020/21 [2019/20: 3,438 MT]. During the year under review, TSF automated certain processes by adopting a simplified green leaf weighing and data entry system which led to an increase in productivity.

John Keells PLC recorded an encouraging performance increasing its market share to 13 per cent during the year under review [2019/20: 12 per cent]. A notable increase in volumes of the high grown and medium grown elevations contributed to this improvement. To this end, trade volumes in the tea industry increased by 0.3 per cent in contrast to a 3.4 per cent increase at JK PLC.

Tea auctions were conducted via an online platform implemented by CTTA and CBA.

COVID-19: IMPACT AND MITIGATION - PLANTATION SERVICES

The Plantation Services sector adapted to the challenges presented by the COVID-19 pandemic by executing cost saving initiatives and improving production efficiency.

Impact

- The Colombo tea auction proactively transitioned to an online platform with the onset of the COVID-19 pandemic in Sri Lanka, with its first online tea auction held on 4 April 2020.
- During April 2020, Colombo and Mombasa (Kenya) tea auctions were the only tea auctions in operation. The demand-supply dynamics of the market paved way to an increase in tea prices, whilst the depreciation of the Rupee also aided an increase in foreign demand for tea.
- Disruptions to global trade and supply chains on account of the pandemic resulted in delays in shipments and clearance processes at ports.
- Delays in remittances from overseas buyers exerted pressure on the working capital cycle.
- During the first lockdown, CTTA mandated the provision of additional storage to exporters, free-of-charge, for select periods from the due date of collection, which had an adverse impact on JKW.

Measures taken

- The Government's identification of tea as an essential service encouraged all stakeholders to continue their respective business operations, even during periods where curfew was declared.
- The factories continued to operate, with added measures pertaining to social distancing and health and safety, as advised by health officials. The harvesting of green leaf by smallholders also continued with minimal disruption and arrangements were put in place for responsible collection.
- Invested in digital infrastructure to enable a seamless operation from the business's end when participating in the online tea auction.
- Stringent cost control measures were adopted across all businesses.

Other

In addition to the Plantation Services and Information Technology sectors, the Other, including Information Technology and Plantation Services industry group also entails the performance of the Holding Company and its various divisions. In addition to the support functions, the Holding Company also includes:

- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence
- John Keells Research, the research and development arm of the Group
- John Keells X, a corporate start-up accelerator
- 'Plasticcycle', the Group's social entrepreneurship initiative

Detailed discussion of each of the above functions is found in the Intellectual Capital and Natural Capital sections of the Capital Management Review - *page 38*

Holding Company

Due to the unprecedented circumstances that prevailed with the spread of COVID-19, processes and frameworks were rolled out by the Holding Company in discussion with the businesses, leading to significant cost savings on both operational and fixed costs. Proactive and precautionary health and safety measures were also taken across the Group to mitigate the risk of spreading COVID-19, in compliance with guidelines stipulated by health authorities.

Refer Capital Management Review – Financial and Manufactured Capital, for a detailed discussion - *page 38*

The Holding Company rolled out various measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity, in particular. While the Group had a strong cash position and availability of banking facilities at the onset of the COVID-19 pandemic, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group.

On 23 June 2020, the Company entered into a long-term financing agreement with the International Finance Corporation (IFC) for USD 175 million to support funding of the Holding Company's investment pipeline. This facility is IFC's largest investment to-date in Sri Lanka. The proceeds from the facility is earmarked to fund the Group's expansion of its Supermarket business, investments in hotels in the Maldives and Sri Lanka and for general corporate investments.

The key features of the financing facility are as follows:

- Rate basis: 6-month LIBOR plus margin of 380 basis points
- Step-down pricing mechanism: A step-down pricing mechanism to a margin of 355 basis points by March 2024
- Tenor: Ten-year tenor till June 2030
- Grace period: Four years with capital repayments commencing in December 2024

Although the entirety of the loan was drawn down during the year under review, there was no impact on net debt since the cash balance was also retained at the Holding Company level.

The impact on the depreciation of the Rupee was managed within the Group as the Holding Company maintained a strong net cash position, with sufficient USD reserves. Given that the debt drawdown from the IFC facility was retained as cash in Dollars at the Holding Company, as noted above, there was no Dollar exposure on this front as well.

The Company entered into a long-term financing agreement with the International Finance Corporation (IFC) for USD 175 million to support funding of the Holding Company's investment pipeline.

INDUSTRY GROUP REVIEW

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

CAPITAL MANAGEMENT REVIEW

The section that ensues discusses the performance of the industry group during the year under review, under the key forms of Capital applicable for the industry group.

Financial and Manufactured Capital

Income Statement Indicators

Rs.million	2020/21	2019/20	%
Revenue			
Information Technology	1,088	1,156	(6)
Plantation Services	2,782	2,615	6
Other	79	32	144
Total	3,949	3,803	4

- Revenue growth of the industry group was driven by the Plantation Services sector due to an increase in tea volumes and tea prices as outlined under the Operational Review section.
- The global spread of COVID-19 impacted revenues of existing businesses, although this was partially offset through the acquisition of new clients at both Infomate and JKIT.
- The growth in revenue of the Holding Company is primarily on account of higher commercial income and legal fees from associates.

Rs.million	2020/21	2019/20	%
EBITDA			
Information Technology	368	343	7
Plantation Services	369	74	398
Other	2,363	923	156
Total	3,100	1,340	131
PBT			
Information Technology	350	325	8
Plantation Services	249	(105)	338
Other	2,692	2,597	4
Total	3,291	2,817	17

- The EBITDA of the Holding Company was positively impacted by higher interest income, due to the drawdown of the USD 175 million long-term loan facility from IFC. However, the impact to PBT was negligible due to a corresponding increase in interest expense on account of the loan.
- The PBT of the Holding Company includes a foreign currency exchange gain on its net USD denominated cash, on account of the depreciation of the USD/LKR exchange rate. The USD cash reserves include equity earmarked for the 'Cinnamon Life' project and proceeds from the IFC facility.
- Despite the decrease in revenue, the Information Technology sector recorded an increase in profitability on the back of stringent cost saving and expense control measures.
- It is noted that profitability of the Plantation Services sector in 2019/20 included a material impairment of debtors at John Keells PLC considering the stresses faced by tea producers due to lower tea prices at the time, which distorts the year-on-year comparison.
- The industry group recorded fair value gains on investment property (IP) of Rs.18 million which primarily stemmed from the Plantation Services sector. Recurring EBITDA for the industry group, excluding fair value gains on IP amounted to Rs.3.08 billion [2019/20: Rs.1.29 billion].
- Recurring PBT excluding fair value gains on IP amounted to Rs.3.27 billion during 2020/21 [2019/20: Rs.2.76 billion].

Balance Sheet Indicators

Rs.million	2020/21	2019/20	%
Debt			
Information Technology	61	7	806
Plantation Services	304	675	(55)
Other	47,197	2,023	2,233
Total	47,562	2,705	1,658

- Borrowings of the Holding Company increased during the year, given the debt drawdown pertaining to the USD 175 million long-term loan facility with IFC and an increase in LKR borrowings in line with the planned funding strategy of the Company. It is noted that the drawdown of the IFC facility had no impact on net debt since the cash balance was also retained at the Holding Company level.
- The increase in debt of the Information Technology sector is attributable to an increase in bank overdrafts to manage working capital requirements.
- The Plantation Services sector recorded a notable decline in debt as a result of a decrease in bank overdrafts at John Keells PLC given the improvement in operational performance.

Natural Capital

The Group recognises the strong interlinkage between natural resources and the plantations industry in Sri Lanka, and thus continues to focus on managing its Natural Capital effectively and efficiently. The continuous collaborations and partnerships with international conservation bodies assist the Plantation Services sector to remain on par with international best practice and standards in order to engrain sustainability throughout its supply chain. These practices aid the businesses in applying sustainable and eco-friendly agricultural practices, which continue to gain traction in modern agricultural operations.

The Information Technology (IT) sector and the Group's Centre functions carry out operations in line with the Group's Environmental policies and the IT sector continues to enhance process efficiencies whilst monitoring activities on a regular basis, with the objective of energy conservation and identifying other potential areas for energy efficient solutions. The industry group ensures that e-waste generated is disposed in compliance with Group policies, in a responsible manner to minimise environmental impacts.

Material topics and focus areas are as follows:

Energy and Emissions

Relevance: Financial, regulatory and brand reputation implications

Targets and initiatives during the year:

Energy efficiency

- Thermal and electrical energy conservation initiatives in all 7 TSF factories resulted in a savings of 282,378 kWh.
- Reduction in energy consumption through replacement of existing fluorescent lamps with LED lighting on an ongoing basis at TSF.
- Monitored the entire tea manufacturing process by electrical submetering, where relevant bottlenecks were identified.
- Conducted awareness sessions on electricity and fuelwood savings at all 7 tea factories.
- Tests were carried out to optimise electricity consumption of the withering process at TSF.
- ISO 50001:2018 Energy Management System Corporate Certification processes continued to be in effect in 7 TSF factories.

Renewable energy and carbon footprint reduction

- ~6.1million kWh of renewable energy utilised through the generation of solar power by JKW and utilisation of biomass at TSF.
- Distribution of 30 kumbuk saplings to leaf suppliers and communities surrounding Neluwa, under the 'Adopt a Tree' Project.

Waste and Effluent Management

Relevance: Regulatory and brand reputation implications

Targets and initiatives during the year:

Waste management and effluent discharge

- Ensuring disposal of all wastewater from factories and biomass combustion are in accordance with Environmental Protection License (EPL) requirements.
- Practicing responsible e-waste disposal through certified disposal partners in accordance with the Group's e-waste policy.
- Reduction in paper usage and recycling of paper through a certified recycler.
- Wood ash generated through the use of biomass is used as landfill.

Carbon Footprint (MT)

Waste Disposed (Kg)

Note: Waste generated excludes Information Technology and Other sectors as it is not considered material.

Carbon footprint scope 1 and 2 per operational intensity factor

	2020/21	2019/20
TSF PLC CO_2 (kg per kg of tea produced)	0.56	0.64
JK PLC & JKW CO_2 (kg per sq.ft. of floor area)	1.0	1.3

Carbon Footprint (MT)

Information Technology	174
Plantation Services	2,183
Other	186

Human Capital

As a service-oriented industry, emphasis is placed on effective management of Human Capital, through continuous career development and investments aimed at enhancing the skill sets of employees.

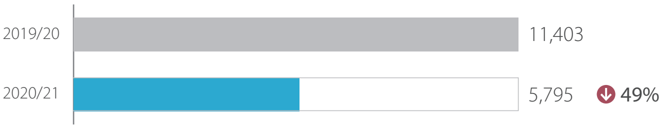
The IT sector regularly invests in professional training and development of its existing employees, whilst working in collaboration with universities and educational institutions to attract talent and create a pipeline of top quality employees in the long-term.

The IT sector also focuses on providing regular training and creating a safe work environment with travel arrangements made to ensure safe commute for employees, where applicable. TSF factories continue to monitor working conditions and adhere to relevant health and safety certifications.

During the year under review, the businesses operated within the COVID-19 guidelines, whilst also providing certain staff categories the option to 'work from home' along with necessary facilities. Further, workplace safety such as sanitation practices were implemented whilst creating awareness and adhering to health and safety conditions within regulatory guidelines.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Training (Hours)



Number of Employees

Information Technology	543
Plantation Services	514
Other	139

Material topics and focus areas are as follows:

Talent Management

Relevance: Training and development directly affects brand reputation and employee well-being whilst hiring, retaining, motivating, and enhancing skills of employees

Targets and initiatives during the year:

Training and development

- Training on online business communication etiquette and home user device security sessions were conducted for employees at Infomate.
- Staff training was provided on the ISO 27001:13 standard on information security.
- Internships were provided to graduates, through the collaborations between JKIT and higher education institutes.

Distribution of personal protective equipment (PPE) to a hospital in the Galle District.

Health and Safety

Relevance: Labour-intensive operations require focus to be placed on occupational health and safety. HR related risks directly affect brand reputation and employee well-being and have a direct impact on the long-term sustainability of the business

Targets and initiatives during the year:

Health and safety

- Upgrade of the OHSAS 18001:2007 standard to ISO 45001:2018 standard involving hazard and risk assessment associated with tea manufacturing processes resulted in a reduction in accidents and lost days.
- Continual improvement in food safety, product, and hygiene quality, with zero quality claims.
- Upgrade of the ISO 22000:2005 standard to ISO 22000:2018 standard for 6 factories.
- Zero injuries were recorded during the year under review.

COVID-19 response

- Standard operating procedures and business continuity plans were developed to mitigate the impact of the COVID-19 pandemic.
- Facilities to 'work from home' were arranged for employees.
- A series of trainings covering 'work from home' during the pandemic were conducted for 3 rural BPO units at Infomate.
- Distribution of personal protective equipment (PPE) to a hospital in the Galle District to strengthen the safety of healthcare workers.
- Conducted awareness sessions for employees on health and safety guidelines in tandem with regular PCR testing.
- Increased precautionary methods during tea processing to avoid any potential risk of contamination.

The industry group paid particular attention to workplace safety amidst the pandemic, implementing sanitation practices and creating staff awareness.

Social and Relationship Capital

The industry group places emphasis on social responsibility and focuses on conducting operations which are beneficial for both the business and the community. For the Plantation Services sector, it is vital to build trust and mutually beneficial relationships between stakeholders as these communities are an integral part of its supply chain. CSR activities, which assist the sector in fostering such relationships, are conducted at a business level as well as through John Keells Foundation (JKF).

The IT sector continued to engage with rural communities to promote IT literacy, providing the opportunity for youth to step into alternative livelihoods by offering job opportunities at BPOs. Such initiatives aid the businesses in maintaining and expanding operations by creating a strong recruitment pipeline and also yield economic and social benefits, such as improved employability and sustainable income opportunities for the youth.

Given below are the significant suppliers in the Plantation Services and IT sectors. Assessments for key suppliers are conducted for any negative impacts on environment, labour, and human rights aspects.

SIGNIFICANT SUPPLIERS - INFORMATION TECHNOLOGY SECTOR AND OTHER

- Outsourced operational functions
- Outsourced support staff
- Janitors and security
- Transportation providers

SIGNIFICANT SUPPLIERS - PLANTATION SERVICES SECTOR

- Tea smallholder farmers
- Tea plantations

Distribution of saplings to the community.

Material topics and focus areas are as follows:

Supply Chain Management and Community Engagement

Relevance: Supplier and community engagements and assessments mitigate operational and reputational risks, building sustainable relationships, sharing knowledge and best practices

Targets and initiatives during the year:

Community and Value Chain Engagement

- Aligning to the requirements of the Rainforest Alliance certification by enhancing and promoting sustainable agriculture in 2,638 green leaf suppliers.
- Commenced the 8th phase of TSF's tea replanting project by replanting tea in unproductive tea lands of 22 green leaf suppliers, which is aimed at enhancing supplier livelihoods and strengthening the supplier base.
- Initiatives by TSF aimed at supporting frontline workers and communities during the COVID-19 outbreak:
  - Disinfection of the Hiniduma base hospital and 5 schools, benefiting over 2,400 persons.
  - Distribution of PPE among 30 Public Health Inspectors and doctors.
  - Awareness programme on controlling the spread of COVID-19 and the distribution of 150 masks.
- Other awareness programmes, campaigns and workshops conducted by TSF:
  - Dengue prevention awareness programme benefiting 87 persons.
  - Free health check-ups benefiting 19 cataract patients.
  - Awareness on disaster preparedness for 100 community members and suppliers.
  - Blood donation camp with the participation of 68 community members and suppliers.
  - Supported 11 cataract operations in collaboration with Lion's Eye Hospital, Panadura under JKF's Vision Project.
  - 43 high-performing school children in Neluwa were awarded scholarships under JKF's English Language Scholarship Programme to the next tier of the programme.
- Infomate, in collaboration with JKF and the Foundation for Advancing Rural Opportunity (FARO), continued its long-term collaboration in creating sustainable income opportunities by outsourcing some of the Group's invoicing functions to satellite BPO units owned and operated by the associates themselves. During the reporting period, 32 youth in Mahavilachchiya, Seenigama and Jaffna benefited from this initiative. The Seenigama BPO marked its 10th year in operation.

OUTLOOK

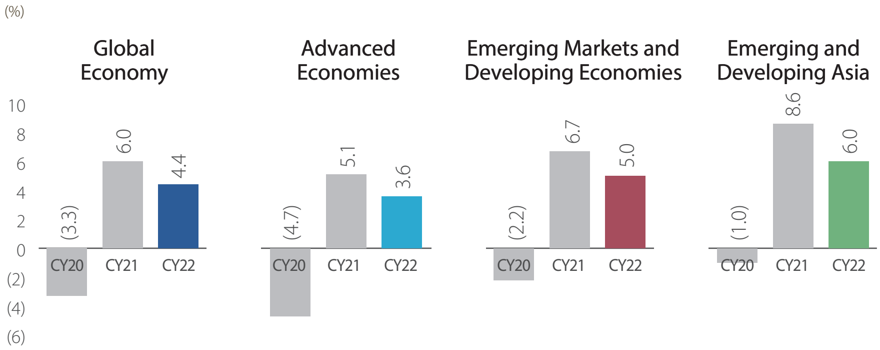
The section that ensues entails a discussion of the Group's approach to managing the impact of the COVID-19 pandemic, industry-specific strategy in this light and the outlook beyond the pandemic, in dealing with the 'new normal'.

MACROECONOMIC OUTLOOK

Global Context

The International Monetary Fund (IMF) predicts a strong recovery in the global economy with economic activity projected to increase by 6.0 per cent in CY2021 and 4.4 per cent in CY2022. Growth is projected on the back of the rapid development of multiple COVID-19 vaccines that can reduce the severity of infections, unprecedented fiscal support and an accommodative monetary policy response from Governments and Central Banks coupled with the quick adaptation to the 'new normal' worldwide. Downside risks to the outlook include potential resurgences of the pandemic as seen in countries within the region where vaccination roll outs were relatively slow, adverse financial markets, substantial supply chain disruptions and geopolitical risks, amongst others.

IMF Growth Projections (Baseline Scenario)



Source: International Monetary Fund World Economic Outlook - April 2021

SRI LANKAN CONTEXT

The Central Bank of Sri Lanka (CBSL) expects the Sri Lankan economy to rebound in CY2021 aided by the growth-oriented policy agenda of the Government and the accommodative monetary and fiscal policy stance. The rebound in the global economy is also expected to have spill-over effects on the economy given strong external demand which should facilitate strong export earnings, increase foreign inflows in light of better worker remittances, strengthen prospects for foreign direct investments depending on Government policies and portfolio investments as seen in other markets, should there be greater stability and visibility on the domestic macroeconomic front.

The economy is also expected to reap the benefits of the fiscal stimuli provided in CY2020 through increased investment capacity and improving household spending. The prevailing low interest rate regime and the resultant low cost of capital is also expected to spearhead private sector growth.

The rating downgrade of the sovereign credit rating has heightened concerns on the country's ability to meet its external debt repayment obligations amidst an increasing debt-to-GDP ratio. The CBSL has, however, reiterated its commitment to fulfilling the obligations of the country, which was evident with the repayment of the USD 1 billion sovereign bond in October 2020. The credit downgrade has nevertheless exacerbated pressure on external financing and the currency. Continued spending on healthcare and financial support for the local economy in light of the recent COVID-19 outbreak will result in a wider fiscal deficit in the immediate-term. In tandem, the Sri Lankan Rupee is likely to continue facing pressure, although ongoing import control measures will help partially mitigate this impact.

Looking beyond these short-term challenges, the underlying prospects for the economy are positive with growth expected to be driven by prospects for higher exports, expansion of the services sectors and the potential for higher foreign inflows, particularly channelled towards the Port City Colombo and the Industrial Zone projects. The revival of the tourism sector in line with the 'new normal' will also be a key driver of economic growth considering the 'pent-up' demand that is evident even at this stage for leisure travel.

Whilst there will be short-term challenges given the current situation as outlined above, the Group remains confident that Sri Lanka's growth prospects in the medium to long-term remain positive, as outlined in the ensuing Industry Group Strategy and Outlook section.

COVID-19 Developments in Sri Lanka

The COVID-19 pandemic was relatively well contained in Sri Lanka in CY2020, where the outbreak of clusters was proactively identified and managed by the Government and health authorities, which resulted in a strong recovery in consumer sentiment and a resumption of business activity towards the end of the financial year. However, comparatively, the number of cases has risen sharply from late April 2021 onwards as the country is witnessing an outbreak of a third wave of cases. The authorities have opted to control the outbreak through a series of initiatives including more stringent health and safety guidelines and where deemed necessary, isolation of areas deemed as 'high-risk' to ensure such clusters are contained. In furtherance of this, island-wide travel restrictions have also been imposed during select periods. While it is too early to ascertain the full scale of this outbreak, the current trend of daily positive cases indicate a higher possibility of community transmission than seen in CY2020, particularly given the detection of more infectious variants of the coronavirus.

As of the date of this Report, a stringent set of COVID-19 guidelines continue to be in effect whereby restrictions are placed on public gatherings, operating capacities of shops and retail outlets, amongst others. Although the country's borders were opened for tourists in January 2021, this was subsequently tightened in May 2021 with certain restrictions placed on arrivals once again along with updated quarantine criteria. As of the date of this Report, all passenger arrivals to Sri Lanka are suspended till 31 May 2021. As a part of its health response, the Government has reported that hospital capacity has been increased whilst more hotels have also been turned into intermediate care centres to treat asymptomatic or mildly symptomatic cases.

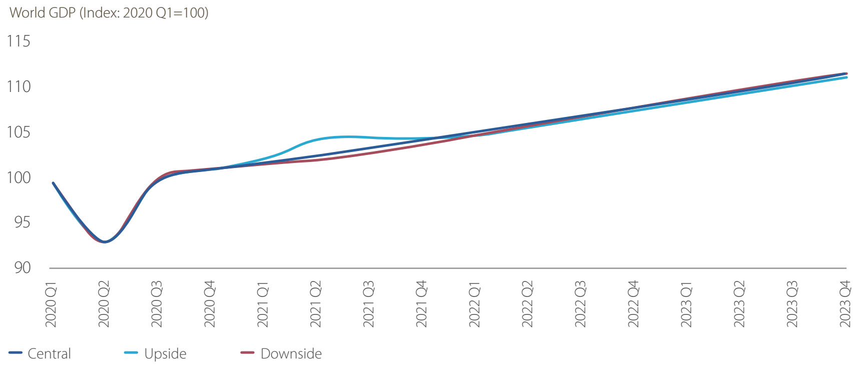
Sri Lanka commenced the COVID-19 vaccination programme in late January 2021, obtaining consignments of the Oxford-AstraZeneca vaccine from India under the COVAX programme. However, given the ongoing COVID-19 crisis in India and resultant supply disruptions, the vaccination programme on the Oxford-AstraZeneca front has been curtailed. Whilst ~1 million people were inoculated with the first dose of this vaccine, the administering of the second dose is currently underway only for front line workers due to supply limitations. Sri Lanka also commenced administering the Sinopharm vaccine and the Sputnik V vaccine from mid-May 2021. The country also has plans to purchase doses of the Pfizer-BioNTech vaccine by July 2021. The Government has committed to scale up the roll out of vaccinations and this should positively impact recovery once a critical mass of the population, particularly in high-risk areas, are covered, as witnessed in other countries.

As evident from the ensuing graph, higher vaccination roll outs are expected to accelerate economic growth.

Looking beyond these short-term challenges, the underlying prospects for the economy are positive with growth expected to be driven by prospects for higher exports, expansion of the services sectors and the potential for higher foreign inflows.

HIGHER VACCINATION ROLL OUTS ARE EXPECTED TO ACCELERATE ECONOMIC GROWTH

KPMG envisages considerable upside benefits to the world economy from a faster, wider vaccine roll out than the current supply trajectory.

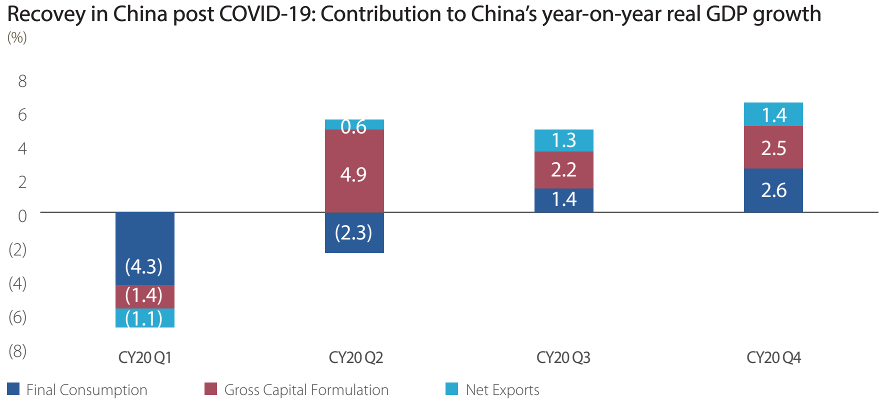


Source: Quarterly Economic Outlook - March 2021, KPMG

- Central Forecast – Vaccine roll out expected to permit gradual re-opening across countries in CY2021, with international travel commencing from Q2 CY2021.
- Upside Forecast – Global vaccination programme is accelerated, both in terms of coverage and speed, enabling all countries to open international borders to travellers from early-CY2022.
- Downside Forecast – Failure to deliver a comprehensive and timely vaccine programme to low- and lower-middle-income countries (LMICs), which prevents a widespread opening of the global economy before CY2022. LMICs will maintain current level of restrictions on international travel, and restrictions on mobility will remain in place in countries with limited access to vaccines until the end of CY2021, rather than easing over the course of CY2021.

McKinsey & Company envisages that an effective vaccine roll out is key to contain the impacts of the pandemic and restore consumer demand to pre-pandemic levels, fuelled by rising consumer confidence, pent-up demand, and accumulated savings. China's robust consumer spending recovery after gaining control of the COVID-19 virus outbreak is another reason for optimism for most countries.

Recovey in China post COVID-19: Contribution to China's year-on-year real GDP growth



Source: IHS Markit

- China's consumer market noted an encouraging recovery from the downturn triggered by the COVID-19 pandemic.
- China recorded a 6.5 per cent growth in the fourth quarter of CY2020. Of this, ~40 per cent stemmed from final consumption.
- Although this remains below the 60 per cent three-year average prior to the COVID-19 pandemic, during which quarterly GDP averaged 6.6 per cent, it marks an exceptional rebound considering the depth of consumer market crash in the first half of CY2020.

OUTLOOK

GROUP OUTLOOK

The recent outbreak of COVID-19 cases in Sri Lanka has resulted in short-term uncertainty in the market, although the business impact, at this juncture, for most Group businesses excluding Leisure is not as significant as witnessed with the previous outbreaks and isolation measures. Whilst it is premature to ascertain the scale of the restrictions that may follow due to this outbreak, the Group remains positive of the underlying fundamentals of the industry groups in which it operates and expects a similar recovery to the traction observed in the second and fourth quarters of 2020/21; a sustained recovery can be expected once the stringent isolation and healthcare measures are eased.

LOOKING BACK AT RECOVERY TRENDS IN 2020/21

Although business performance was significantly impacted and extremely challenging on account of the stringent lockdown measures from March till mid-May in 2020, the easing of restrictions in movement thereafter aided a resumption of activity. Similarly, although the outbreak of a cluster in early October 2020, which prompted isolation measures in select areas during the month, caused a slowdown in business activity and dampened consumer sentiment, the impact of the isolation measures on business was notably less severe than originally witnessed during the lockdown which was imposed in the first quarter of 2020/21 as consumers adapted to the health and safety guidelines issued by the authorities as the year progressed. This was particularly evident in the performance in the fourth quarter where business activity and movement of consumers was largely normal, despite the higher number of cases reported during this period.

The Group has continued to invest despite unprecedented events such as the Easter Sunday terror attacks in Sri Lanka in April 2019 and the COVID-19 pandemic in CY2020, demonstrating the Group's 'resilience in investing'.

Whilst the ongoing outbreak of COVID-19 cases in the country is expected to create disruptions, given the prior ramp up of business capabilities to address such similar disruptions and the 'new normal', as detailed in the ensuing section, the Group envisages the impact on business to be less pronounced. Better insights on consumer behaviour and business momentum are expected to aid the business in navigating through the ongoing outbreak, in contrast to 2020/21, where businesses were faced with such unprecedented challenges for the first time.

It is pertinent to note that the degree of impact and uncertainty on businesses will be divergent. The impact on businesses such as Supermarkets, where consumer baskets comprise of household necessities, personal and other household care items, is more insulated in comparison to an industry group such as Leisure. As such, for greater clarity, the envisaged impact of the ongoing pandemic on each of the industry groups is discussed in detail in the ensuing section.

As noted earlier, whilst it is premature to ascertain the overall impact of the situation in the country as at the date of this Report, in any event, the business impact due to the varying levels of isolation measures are known, and the recovery trajectory also demonstrated, as discussed in this Report. As such, the discussion on the Outlook will place a greater emphasis on the medium to long-term strategy of the Group and each of its businesses.

Realisation of Benefits from the Group's Recent Investments

As discussed in previous Annual Reports, the Group has been in a capital expenditure cycle as it has deployed a significant quantum of cash across its businesses to fund the investment pipeline to ensure a transformative growth in the years ahead. The Group has continued to invest despite unprecedented events such as the Easter Sunday terror attacks in Sri Lanka in April 2019 and the COVID-19 pandemic in CY2020, demonstrating the Group's 'resilience in investing'.

Whilst the iconic 'Cinnamon Life' project is the most significant of such investments, the Group has made other meaningful investments in its other businesses as well – the number of outlets in the Supermarket business has doubled to over 120 outlets in the last three years, post the roll out of the new brand identity and related initiatives in end-CY2017 coupled with development of platforms to transform operational efficiencies. Significant capacity and capability expansion was also evident in the Frozen Confectionery business with the investment in the impulse ice cream factory. The Group has also invested in enhancing its efficiencies and capability in businesses such as the Insurance business. Similarly, the Group invested in refurbishing and upgrading its three Maldivian hotels, including the acquisition of a long-term lease on a new hotel, 'Cinnamon Velifushi Maldives' and also opened 'Cinnamon Bentota Beach' in Sri Lanka. With these developments, the full complement of the Group's hotels was available for operations just prior to the onset of the pandemic – now the Group is poised to realise this benefit no sooner global tourism recovers. While such investments had short-term impacts on performance over the last couple of years on account of related expenses and disruptions, the longer-term benefits of some of these investments are now translating to significant performance impact in the relevant businesses, which are not fully visible in the reported results due to the offsetting impacts on account of disruptions across two consecutive years given the unprecedented events as described before.

As expected, particularly the investment in 'Cinnamon Life', which had a prolonged gestation period, has exerted pressure on return on capital employed. However, with 'Cinnamon Life' nearing completion, the Group is now poised to realise the benefits from the commencement of operations from the ensuing year onwards. This includes the revenue and profit recognition from the handover of the residential units in the 'Cinnamon Life' project which will commence from the first quarter of 2021/22 onwards.

Investments going forward will include the West Container Terminal (WCT) in the Port of Colombo (POC) in partnership with the Adani Group in India. This investment will ensure continued long-term exposure to the ports business in the country which augers well for the future of the Group. The Group's expected investment in the project is ~USD 70-80 million, subject to finalisation of project costs and other structuring arrangements, including the proportion of leverage.

*Further details on the Group's liquidity and funding position can be found in the Capital Management Review section of this Report - **page 38***

The Supermarket business will commence operations of its state-of-the-art distribution centre, which will result in significant efficiencies and scale for the future, while continuing with its outlet expansion which will be the primary source of capital expenditure. Depending on volume growth, capacity enhancements at the Beverage business will be considered in the medium-term while additions to enhance manufacturing capability in the ice cream factory will also be evaluated in line with the evolution of the portfolio of products and business growth. The Group will continue to focus on the monetisation of its extensive land bank and as such, does not foresee deployment of significant capital in the property business.

Refer industry-specific outlook for further details - page 138

Pandemic Response - Processes and Frameworks Already Institutionalised

The outbreaks in CY2020 in Sri Lanka and the subsequent recovery post easing of restrictions, have imparted learnings and garnered experience for the Group in better navigating the ongoing and potential constraints. The lockdowns and various measures imposed last year offered insights to business resilience through investments in technology, processes and also highlighted the need to manage our people in an agile work environment. Careful planning and oversight to enable Group businesses to adapt as the situation evolves, whilst managing liquidity and financing is of pivotal importance and the Group will continue to capitalise on such opportunities to ensure continued resilience through the recent outbreak. Additionally, better clarity on consumer and market behaviour during periods of restrictions and thereafter will better equip Group businesses in responding to these evolving preferences.

As per McKinsey & Company, the shift to digital persists across countries and categories as consumers in most parts of the world keep low out-of-home engagement. Food and household categories have seen an average of over 30 per cent growth in its online customer base across countries. Whilst the Group has not witnessed trends to this degree in its businesses, it is cognisant of the fact that use of digital platforms during periods of more severe outbreaks is more pronounced and can be a catalyst for more lasting conversion to such alternate channels.

Initiatives Aimed at Managing the Group Cash and Liquidity Position

Further to the various measures undertaken in the previous year to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity, Group business will continue to:

- Use weekly dashboards, which cover financial and non-financial KPIs, including monitoring of weekly cash and collections targets.
- Leverage on 'cash war rooms' and 'spend control towers' to critically review each and every spend item, prioritise payments, and impose clear reporting metrics.
- Effect stringent expense control measures, subject to further review depending on the macro and operating environment.

While the current liquidity position of the Group is sufficient to manage current and future commitments as planned, the Group will continue to take proactive steps with the view to maintaining a strong balance sheet, particularly considering the volatile macroeconomic environment and continued uncertainty due to the ongoing pandemic. As planned at the outset, the back-ended final payment of the syndicated loan of 'Cinnamon Life' falls due in 2022/23 and the Group is already in discussion to refinance a component of this loan as per its funding strategy whilst utilising the proceeds from the sales of the apartments and cash reserves to settle part of the loan.

Emphasis on the Group's Advanced Analytics and Transformation Journey

OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group has made remarkable progress and is expected to continue to lay the platform for the Group's advanced analytics transformation journey.

Further to the initial pilots of select use cases in Retail and Financial Services, which indicated strong signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions, and the roll out of the aforementioned use cases which has yielded promising results and indicate anticipated benefits to the businesses will be met, the Group will continue to extend its efforts to other Group businesses, commencing from the Consumer Foods industry group.

The Group will also continue to institutionalise Data Governance practices across Group businesses in line with or surpassing the proposed legislative framework in the country. OCTAVE will continue to ramp up the development of use cases independently which is aimed at developing internal capability towards sustaining an advanced analytics practice in the Group.

The outbreaks in CY2020 in Sri Lanka and the subsequent recovery post easing of restrictions, have imparted learnings and garnered experience for the Group in better navigating the ongoing and potential constraints. The lockdowns and various measures imposed last year offered insights to business resilience through investments in technology, processes and also highlighted the need to manage our people in an agile work environment.

OUTLOOK

INDUSTRY GROUP STRATEGY AND OUTLOOK

Transportation

Immediate to Short-Term

The World Trade Organisation (WTO) envisages the volume of world merchandising trade to increase by 8.0 per cent in CY2021, against the 5.3 per cent contraction witnessed in CY2020. The industry is witnessing short-term disruptions to demand, on the back of the COVID-19 crisis in India, as several ports globally, including Singapore, have barred the entry of vessels which have called at South Asian ports, including in Sri Lanka. While it is premature to assess the continued impact of the recent developments in India, market expectations are that it is temporary and that trade volumes will remain resilient.

The reduction in regional trade activity and vessel movement in the immediate-term, may result in some volatility in the Bunkering business. The business will continue to proactively manage its costs, productivity and inventory in order to ensure minimal disruption from the current situation, whilst also engaging with its customers.

The Logistics business, John Keells Logistics (JKLL), is expected to remain resilient in the face of increased warehousing demand for supplies and the delivery of online purchases during periods of uncertainty, as witnessed during the previous lockdown. Similar to the reconfiguration of a distribution centre to an online fulfilment centre within a short span of 3 days to cater to the growing needs for essential goods, JKLL will continue to evaluate prospects to leverage on cross business opportunities, thereby ensuring a seamless supply chain for all its stakeholders. Similar to previous outbreaks, key challenges faced by the business would be managing its distribution and delivery within the policies and restrictions stipulated by the Government and ensuring the health and safety of all its stakeholders. The business will leverage on its learnings and experiences from the outbreaks in 2020/21 to manage the overall impact on business and ensure a seamless operating model.

The adverse impact on the Airline businesses is expected to continue on the back of reduced tourist arrivals and passenger traffic, travel restrictions and dampened consumer sentiment.

The industry group will continue to strengthen the health and safety measures and protocols in place to ensure the safety of all employees and to reduce the risk of contraction. Most employees in the Ports business are already fully vaccinated, given the prioritisation of the ports industry as an essential service by the Government. Given these circumstances, it is unlikely that there will be a serious outbreak of cases disrupting operations at the POC.

Medium to Long-Term (Beyond COVID-19)

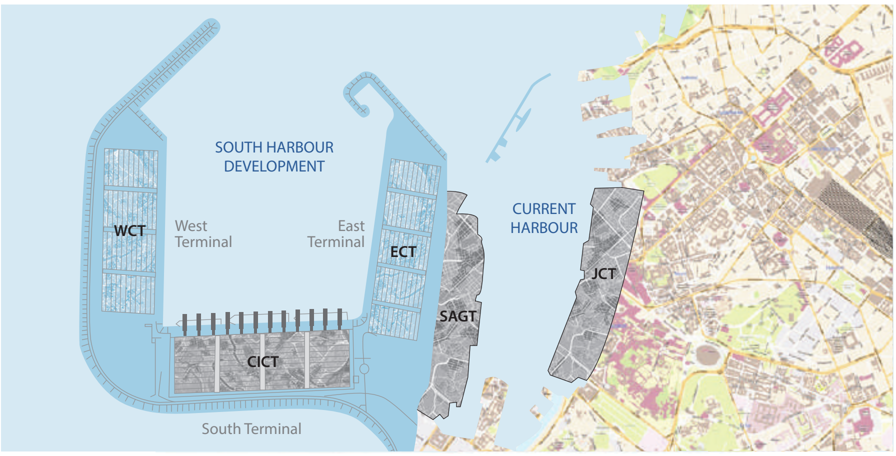
The revival of global trade in the medium to long-term on the back of economic recovery, improvements in consumption, and investments in infrastructure will augur well for Sri Lanka, particularly given its strategic location on key shipping routes.

Ports and Shipping

The recovery of domestic import volumes in line with the envisaged recovery of the domestic economy coupled with growth in regional and global trade in the medium-term augurs well for the sector. The continued opportunity to further establish Colombo as a regional transshipment hub has been further strengthened, post the emergence of the pandemic, as shipping lines have demonstrated a preference to have less direct services and adopt a more 'hub and spoke' model. This is further reinforced by the type of order book of many of the leading shipping lines which are focused on larger container ships which are more likely to call at transshipment hubs.

Investments towards increasing the capacity in the POC through the development of the East Container Terminal (ECT) and WCT, will bode well for the country, ensuring the competitiveness of the POC in the region – especially in light of increasing capacity enhancements in Indian ports. Although ECT is partially operational at present, the full development of the ECT will be implemented by the Sri Lanka Ports Authority (SLPA) in February 2021, with the first phase of the project featuring a 450 metre berth while an additional 600 metres will be added in the second phase. WCT, as outlined above, a part of the proposed Colombo Port South Harbour Development Project, will encompass a deep-water terminal with an alongside depth of 20 metres and annual capacity of ~3 million TEUs. The long-term aspirations of the SLPA, which include the development of a new Colombo North Port, is encouraging and expected to spearhead the thrust to establish Colombo as a leading transshipment hub in the region in terms of scale, providing scope for sustainable growth for the sector. The investment in WCT will ensure continued long-term exposure to the ports business in the country, once it materialises. The Group expects to commence construction of the WCT in early CY2022, subject to fulfilling criteria as stipulated in the LOI, with part of the terminal slated to be operational in ~24 months, and the remainder within a further period of no later than 24 months. The Group's expected investment in the project is in the region of USD 70-80 million, subject to finalisation of project costs and other structuring arrangements, including the proportion of leverage. This investment will be staggered over the construction period.

Colombo South Harbour Development Project



Although the increase in capacity in the POC in the medium-term will result in an impact on volumes for the existing terminal operators in the short-term, as seen with the entry of Colombo International Container Terminals (CICT), the capacity led growth will ensure demand ramps up significantly, given the factors mentioned previously. South Asia Gateway Terminals (SAGT) will continue to explore opportunities in line with the overall enhancements to the POC whilst working to improve terminal productivity and efficiency through strategic initiatives and investments. Special emphasis will be placed on consolidating its operations, providing high value-added and integrated services whilst increasing SAGT's share of higher yielding domestic volumes with a view of achieving a more balanced mix of transshipment to domestic volumes, in order to optimise profitability.

Bunkering

Prospects for bunkering services is promising in the medium-term, driven by the envisaged increase in regional trade activity and demand generated from ongoing investments in the POC, Southern and Eastern Ports. The Port of Hambantota (POH) is also expected to aid overall growth in volumes given increased capacity and infrastructure in the country. Growth in regional business activity, particularly in the SAARC (South Asian Association for Regional Cooperation) region is also expected to positively impact the business.

The primary challenge to the bunkering market in Sri Lanka was the limited availability of bonded tank space which hampered the destination's regional competitiveness and the ability to meet increasing demand. With the commencement of bunkering operations at the POH with a total capacity of ~60,000 MT and the envisaged expansion in the capacity in Colombo via the proposed construction of a 3,200 MT storage tank by Jaya Container Terminal (JCT), the industry will witness an increase in the total storage available for bunker fuel, enabling industry players to import larger parcels of bunker fuel and to supply bunker fuel at more competitive prices in line with regional ports. Improved competitiveness is expected to drive bunker volumes in the industry. In order to capitalise on this opportunity, the business will continue to focus on further consolidating its own storage and delivery capacity, and procurement processes in line with market conditions.

Although the industry may experience a shift in volumes from the POC to the POH due to commencement of operations, the Group is of the view that an increase in additional tank capacity will aid an improvement in the overall bunker market, positively impacting both the POC and POH. The business will also continue to explore opportunities at the POH.

Logistics

The potential for palletised third-party logistics (3PL) remains promising in the medium to long-term with growth expected primarily from inbound project cargo operations, fast -moving consumer goods (FMCG) and export industries. The anticipated growth in regional and domestic trading activity, stemming from global economic recovery and ongoing infrastructure developments in the country, indicate significant potential for increasing integration into global supply chains and the positioning of Sri Lanka as a global trading hub.

JKLL will endeavour to optimise cost and drive operational efficiencies, particularly through emphasis on digitisation initiatives. 3PL customers are increasingly seeking end-to-end solutions and in this regard, every effort will be made to ensure a complete service offering.

Airlines

Increased trading activity and investment towards uplifting the tourism industry, as discussed in the Leisure section of this write-up, coupled with convenience of faster connectivity between cities and Sri Lanka's growing popularity as a destination for short stays, are expected to contribute towards improved performance of the Airline segment in the medium to-long-term.

Investments towards increasing the capacity in the Port of Colombo through the development of the East Container Terminal and West Container Terminal, will bode well for the country, ensuring the competitiveness of the port in the region.

Consumer Foods

Immediate to Short-Term

As seen in the analysis on the quarterly performance, the Beverages, Frozen Confectionery and Convenience Foods businesses have demonstrated a resilient performance as consumers adapted to the health and safety guidelines issued by the authorities as the year progressed. This was particularly evident in the performance in the fourth quarter where business activity and movement of consumers was largely normal, despite the relatively higher number of cases during the period. This recovery momentum witnessed from December 2020 onwards, translated to volumes across the Beverages, Frozen Confectionery and Convenience Foods businesses exceeding expectations, including in April 2021. The recent outbreak and escalation in COVID-19 cases across the country and the resultant isolation of 'high-risk' areas may temporarily hamper this recovery momentum, particularly if the current situation escalates further. However, looking beyond these immediate impacts, similar to the traction observed in the second and fourth quarters of 2020/21, a sustained recovery in volumes can be expected once the stringent isolation and healthcare measures are eased.

In the current backdrop in particular, managing the safety and health of staff and key stakeholders remains pivotal and a key challenge to the businesses. The businesses will continue to strengthen the health and safety measures and protocols in place to ensure the safety of all employees and to reduce the risk of contraction at the workplace. As outlined above, cash flow and cost management initiatives will remain a priority throughout the ensuing year.

The industry group will leverage on its learnings and experiences from the outbreaks in 2020/21 to manage the overall impact on business and to ensure a seamless operating model. The business will further augment its processes to thrive in the 'new normal' and continue to place emphasis on exploring business opportunities in emerging online and delivery channels through both owned and third-party e-commerce platforms, given continually evolving consumer trends. Emphasis will also be placed on maintaining rigorous engagement with its suppliers and distributors to ensure a seamless supply chain,

OUTLOOK

better handle of the working capital cycle and reduced credit risk exposure while further streamlining the distributor network to ensure greater stability and consistency for the future.

Given the resurgence of restrictions in movements in selected areas, the bulk/multipack sizes are expected to continue its higher share of the volume mix in the short-term, although this does not materially alter the profitability margins. On the Beverages front, the business also expects the temporary shift from glass bottles to PET bottles to continue, given health and safety considerations. Although the subdued performance of the HORECA (hotels, restaurants, catering) channel is expected to continue in the short-term, this is expected to gradually recover in tandem with domestic spending and tourism recovery. Despite the setbacks in lieu of the COVID-19 pandemic hampering the launch, the Convenience Foods business will place emphasis on further establishing 'Ezy rice' in the market, in line with the diversification strategy of the business.

Medium to Long-Term (Beyond COVID-19)

Notwithstanding the immediate to short-term impacts on demand on account of the pandemic, domestic demand conditions have remained buoyant and even rebounded when activity levels are normalised. This is further expected to rebound in the medium-term in tandem with improving consumer confidence and economic activity driven by an accommodative monetary policy.

The penetration of consumer food products in Sri Lanka continues to be comparatively low in comparison to global and regional peers, demonstrating the significant potential in these industries. Given the higher penetration within urban areas, the Group expects growth from the outskirts of the country to be a significant contributor to medium to long-term growth, despite the lower base. The industry group will capitalise on this opportunity by investing in its supply chain and augmenting its portfolio of offerings in line with evolving trends.

The business will continue to invest in its digitisation strategy, particularly in furtherance of the Group's advanced analytics transformation journey through data driven decision-making to glean insights, which is expected to optimise production practices, deliver productivity and cost savings, and identify growth opportunities.

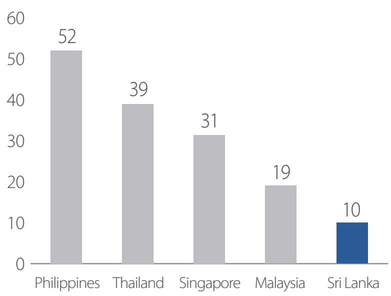
Beverages

Given increased consumer emphasis on healthier lifestyles coupled with evolving regulations and restrictions surrounding calorific sugar content in beverages, the business will continue to focus on developing its portfolio as the share of the carbonated soft drinks (CSD) as a proportion of total beverages may proportionately diminish in the long-term. However, the prospects for the beverage industry continue to be promising as these health-conscious consumers seek alternate beverage options.

Similar trends are witnessed globally, where CSD manufactures worldwide continue to engage in reformulation exercises with the aim of reducing the sugar content of its products, whilst extending the portfolios to include non-CSD beverages which are healthier and more nutritious.

Low consumption patterns and penetration reflects potential for growth in the CSD market

(CSD per capita consumption in litres)



Source: Company analysis

Per capita packaged beverage consumption in Sri Lanka is well below regional and global averages highlighting the growth potential for the beverages market in the country. As a leading player in the beverages market, Ceylon Cold Stores PLC (CCS) will leverage on its strong brand equity and distribution network to capitalise on this opportunity through a continuing pipeline of products, as introduced over the recent years, catering to the ever-evolving lifestyles of consumers. Given evolving regulations surrounding single-use plastics and interest towards environmentally friendly packaging, continual emphasis is also placed on exploring alternate forms of packaging, where feasible.

Given changing market dynamics, the Beverage business in the medium-term will:

- Focus on consolidating its current CSD portfolio and discontinuing non-performing SKUs.
- Prioritise the extension of the current non-CSD range, based on market opportunity.
- Manage the composition of the portfolio to ensure optimum margins.
- Consolidate and stabilise distributor networks whilst improving sales force efficiency through digital means.
- Explore new operating models, different marketing channels and alternate methods of working, given changing consumer behaviour and digitisation trends.
- Implementation of lean initiatives at factories.

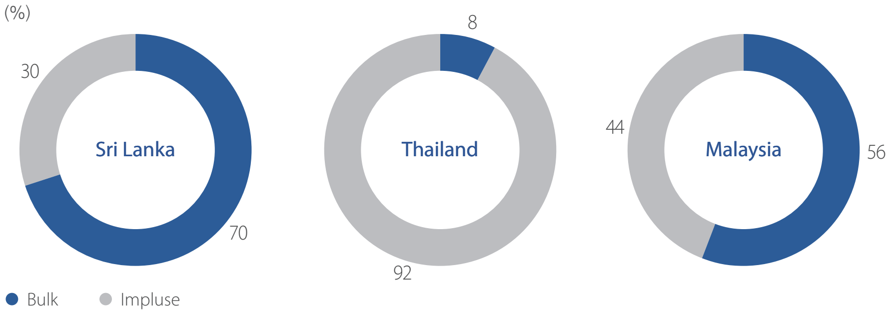
Frozen Confectionery

Barring the impact of the COVID-19 pandemic, rapid urbanisation and increasing disposable income coupled with modern lifestyle trends have fuelled growth in global frozen confectionery markets in the recent years. Looking beyond the pandemic, this positive growth trajectory is expected to continue.

Ice cream consumption in Sri Lanka at ~3 litres is well below global averages, demonstrating the significant potential for growth in this market. Despite the short-term impact on single-serve ice creams on the back of an increase in the in-home consumption segment, the prospects continue to be promising. In line with global and regional peers, the business expects a gradual shift in the bulk to impulse mix towards impulse products, thereby being the primary driver of the envisaged increase in per capita ice cream consumption in Sri Lanka. The business will continue to invest in expanding its distribution reach in an optimal manner.

Rapid urbanisation and increasing disposable income coupled with modern lifestyle trends have fuelled growth in global frozen confectionery markets in the recent years.

The bulk:impulse mix of regional markets is highly tilted towards the impulse market, demonstrating the significant potential for the impulse category in the overall ice cream market of Sri Lanka.



In line with this shift, the business projects a similar trend for its portfolio in the long-term. The state-of-the-art facility in Seethawaka will play a pivotal role in catering to this growth trajectory, both in the bulk and impulse segments, in the long run. This facility continues to perform as envisaged, aiding innovative new product development, increased operational efficiencies and better margins.

The strategic priorities of the Frozen Confectionery business for the short to medium-term are:

- Focus on consolidating its current frozen confectionery portfolio.
- Emphasis on digitisation and process improvements.
- Explore new operating models, alternative distribution channels and alternate methods of working.
- Investments in its supply chain.
- Implementation of lean initiatives at factories.

Convenience Foods

The Convenience Foods business will continue to innovate and expand on its portfolio.

The strategic priorities for the business for the medium-term are:

- Development of product extensions, paving way for the business to increase its market share particularly through emphasis on convenient meal options.
- Focus on consolidating the dry distribution network and sales force to ensure readiness to cater to the envisaged growth in volumes.
- Emphasis on growing the modern and general trade channels, particularly the organised small and medium entities under general trade thereby increasing footprint.
- Focus on further augmenting its portfolio offering.

The prospects for the modern trade industry in Sri Lanka continue to be promising, given the low penetration of modern trade outlets in the country, growth expectations for consumer demand and the steady conversion from general trade to modern trade driven by demand for better quality, convenience and value for money for consumers.

Retail

Immediate to Short-Term

The ongoing outbreak of COVID-19 cases in the country may create disruptions and hamper momentum in the short-term given the isolation of areas deemed as 'high-risk', particularly outlets located in such areas, and restriction measures imposed to curtail the movement of people. As at the date of this Report, although over 90 per cent of outlets are open to customers, since others are located in areas which have been isolated by the Government, operations have been restricted to 25 per cent of the capacity as per the safety guidelines issued by the health authorities. Open outlets have not witnessed a material impact to the operations by these restrictions, although it may be premature to fully understand the impacts. Despite the aforesaid, the impact on performance is expected to be less pronounced than witnessed when previous isolation measures were in place given that the business is better equipped to navigate these challenges in contrast to the previous outbreaks in CY2020. To this end, the business has invested and ramped up its capabilities of the online shopping platform, 'Keells' and related delivery and in-store pick up services, which are able to handle over 15,000 online orders per day as against 100 online orders prior to the outbreak of the COVID-19 pandemic.

Consumer demand is expected to continue its recovery momentum once the current outbreak is overcome, as witnessed post the first and third quarters of the year under review, despite the increases in cases at present. This is further complemented by the nature of operations, where the performance of the Supermarket business is expected to be somewhat insulated given that consumer baskets primarily consist of essential goods, personal and other daily household items.

The health and safety of employees, in particular frontline workers, suppliers and customers remain a key priority and the business will continue to roll out health and safety procedures within its outlets, in order to reduce the spread of the COVID-19 virus. The business will continue to maintain transparent communication with its customers, whist also engaging with suppliers and other stakeholders to ensure a continually functioning supply chain. Emphasis will also be placed on cost optimisation and working capital management.

OUTLOOK

The business has witnessed a change in shopping behaviour due to the pandemic where the basket value of a generic customer has reported a notable increase due to consolidation of the shopping occasion while the frequency of visits has reduced. The business will continue to monitor such developments to ensure that the business model continually evolves in line with changing consumer behaviour, although it is believed that behaviour will return to 'normalcy' once the effects of the pandemic reduce.

Medium to Long-Term (Beyond COVID-19)

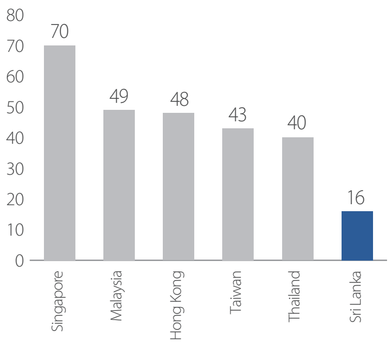
Supermarkets

The prospects for the modern trade industry in Sri Lanka continue to be promising, given the low penetration of modern trade outlets in the country, growth expectations for consumer demand and the steady conversion from general trade to modern trade driven by demand for better quality, convenience and value for money for consumers. The Supermarket business is uniquely positioned to capitalise on this opportunity by leveraging on it its high brand equity.

Prospects for the modern trade industry in Sri Lanka is promising, given the low penetration of modern trade outlets in the country.

Modern Retail Penetration

(%)

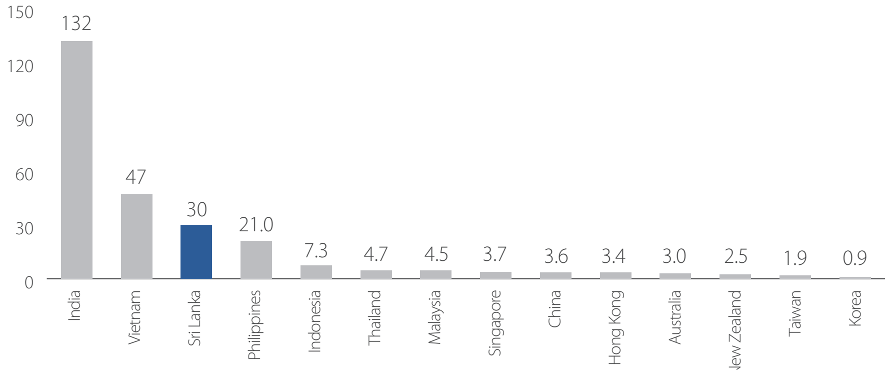


Source: Company analysis

The Office Automation business remains confident of the underlying demand for high quality office automation solutions and smart mobile phones which is expected to be driven by increasing commercial activity within the country and an improvement in business sentiment.

Modern Trade Density

Population ('000) per store



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen

Continued focus will be placed on differentiating the shopping experience for its customers through its 'fresh' promise, service excellence and quality within 5 activity pillars; product, price, place, people and the customer. The business will also focus on continually expanding its footprint to capitalise on the envisaged growth of the modern trade industry given its low density and penetration levels. 'Brick and mortar' stores are expected to be the key driver of growth going forward for the foreseeable future, although online sales will increase its contribution over the years. Consumer behaviour suggests an inclination to shop at physical stores despite the effects of the pandemic as evident in the patterns witnessed post easing of isolation measures in the third quarter; although online sales witnessed a temporary uptick during periods of lockdown and uncertainty on the back of COVID-19 restrictions, with orders exceeding 10,000 a day, a reversal in trends was evident with the easing of restrictions with direct 'brick and motor' sales noting a corresponding increase.

In this light, the business will continue the expansion of its network, both in urban and suburban areas, timing such expansion plans based on the macroeconomic landscape and the maturity of these markets. In addition to its standard store format, the business is also rolling out a modular store format in pursuing its expansion plans for select areas, to better manage capital expenditure and operational costs, until such time these earmarked markets mature by which time the store can be expanded to a standard format in a modular manner. The key challenges faced during expansion include securing lease of land plots in prime locations which are in conformity with brand specifications and staff retention. The business will continue to focus on retaining its labour force by augmenting its recruitment processes, empowering these individuals and focusing on the employer brand.

The ongoing construction of the distribution centre (DC) in Kerawalapitiya will augment the business's outlet expansion, particularly given its ability to cater to its outlet expansion well beyond the medium to long-term. The operation of the new DC is expected to result in significant process and operational efficiencies, particularly given the centralisation of almost the entirety of the dry and fresh range of the current modern trade offering and also provide better visibility of the supply chain.

Given the significant roll out of stores in the past few years, profitability and margins of the Supermarket business were impacted by the funding costs associated with such investment and also the relative contribution from new stores. EBITDA margins of new stores are comparatively lower than mature stores, given that new outlets typically take 12-16 months to ramp up. Whilst the impact of new stores was more pronounced at the outset, since the store count has doubled over a period of three years, the business will see normalisation of the impact of new store expansion since the base of existing outlets are now proportionately much higher relative to the expansion envisaged. Continued emphasis will also be placed on higher private label penetration in order to enhance customer choice and drive profitability margins.

The business will continue with the development and implementation of advanced analytics use cases in order to foster data driven decision-making. The preliminary results of the use cases currently rolled out, focusing on aspects such as promotion effectiveness, range optimisation, and marketing outreach, is promising and is expected to meaningfully contribute towards enhanced performance.

Office Automation

Looking beyond the impact of the COVID-19 pandemic, the business remains confident of the underlying demand for high quality office automation solutions and smart mobile phones which is expected to be driven by increasing commercial activity within the country and an improvement in business sentiment. The Government's initiatives aimed at transforming Colombo as a financial hub will also augur well for the business.

JKOA will continue to expand its presence in the market in line with the envisaged growth, whilst leveraging on its portfolio of world-class brands and distribution network. The business will also leverage on its brand equity to ensure a continued supply of mobile phones in to the market, aimed at different market segments, thereby strengthening its position in the mobile phone market. The business will place emphasis on improving productivity and efficiency in its sales and aftercare operations to ensure high quality customer service. To this end, focus will also be placed on a range of initiatives aimed at digitising the supply chain to consolidate its operations and improve productivity.

Ensuring the health and safety of all stakeholders, particularly the employees and guests, continue to be the Group's immediate priority. The businesses will, therefore, ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies.

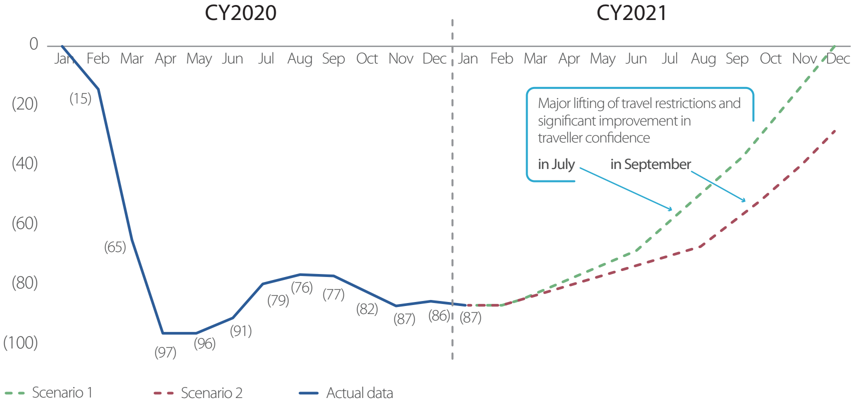
Leisure

Immediate to Short-Term

Global tourism continues to be significantly impacted by the COVID-19 pandemic on the back of tightening travel restrictions, particularly in response to new outbreaks and increased travel health and safety protocols such as mandatory testing and quarantine requirements. Despite the rapid vaccination drives in countries such as the United States and the United Kingdom, the relatively slower pace of the vaccination roll out in many other countries has hindered the resumption of international travel.

The United Nations World Tourism Organisation (UNWTO) projects the outlook for tourism based on two scenarios, where tourism is, either way, expected to rebound in the second half of CY2021. As per the first scenario a rebound is envisaged in July 2021, whilst the second scenario considers a potential rebound in September 2021, subject to a lifting of travel restrictions and success of vaccination programmes. The introduction of protocols such as the Digital Green Certificate planned by the European Commission is also expected to aid tourism recovery.

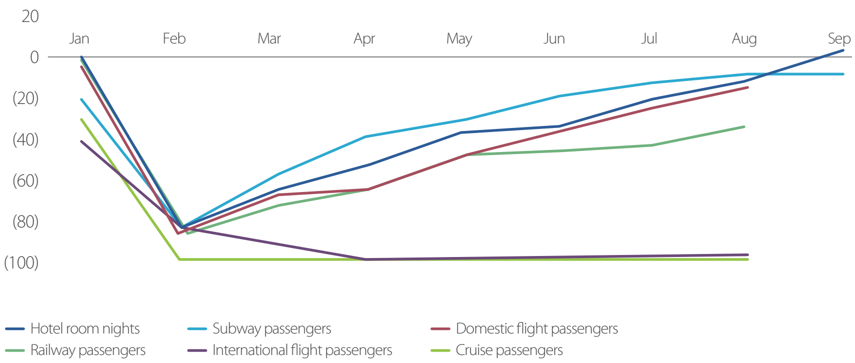
Monthly International Tourist Arrivals in CY2020, and UNWTO Projections for CY2021
(YoY %)



Source: UNWTO March 2021 Tourism Barometer

The performance of tourism will largely depend on the revival of regional and global travel when travellers regain confidence. As noted below, it remains encouraging to witness a significant 'pent up' demand for leisure travel, which is also evident through forward bookings at the Group's hotels, particularly in the Maldives which witnessed occupancy of 53 per cent in the fourth quarter of 2020/21.

The Domestic Tourism Market in China is Recovering Rapidly, Indicating the Pent-up Demand for Travel and Leisure Activities
(% Change from CY2019 to CY2020)



Source: China Consumer Report 2021, McKinsey & Company

OUTLOOK

Given the interlinkages between global economic and tourism recovery, particularly the performance of key source markets, the Group expects the current impact on the Leisure industry group to continue in the short-term.

With the resurgence of the third wave of outbreak in Sri Lanka, the Government has once again imposed stringent health and safety measures to control the transmission of COVID-19, including isolation of select areas deemed as 'high-risk', travel restrictions during select periods and certain restrictions on travel within the country. As of the date of this Report, all passenger arrivals to Sri Lanka are suspended till 31 May 2021. Restrictions have also been imposed on seating capacities at food and beverage (F&B) outlets whilst conferencing and banqueting facilities are not permitted to function for a limited period of time. Against this backdrop, the Leisure businesses have witnessed a notable slowdown in domestic activity, from that witnessed in the second and fourth quarter, which has adversely impacted the business. Initiatives rolled out during the previous outbreaks, such as the introduction of a F&B delivery platform, better equips the businesses in catering to demand for in-home consumption which was evident during periods of restrictions in the past. In the immediate-term, given the slowdown in domestic tourism due to the current outbreak of cases, three Group hotel properties in Sri Lanka are being used as intermediate care centres (ICC) for the treatment of asymptomatic COVID-19 cases. In addition to meeting the critical national need to provide facilities for individuals infected with the COVID-19 virus, this will also help mitigate the impact of a drop in domestic tourism since the ICCs are in demand given the current circumstances. The operations of the Group's other Leisure properties in Sri Lanka have been restricted during this current outbreak in order to manage and mitigate costs. The Group will continue to review the trends of both international and domestic travel, and proactively roll out strategies to optimise benefits to all stakeholders. The Group remains confident that operations of the hotels will gradually ramp up to pre COVID-19 levels in tandem with the ongoing vaccine roll outs. The Leisure businesses continue to prepare themselves for the resumption in tourism activity, no sooner domestic activity or international travel resumes, particularly given the envisaged pent-up demand for leisure travel from various markets.

Ensuring the health and safety of all stakeholders, particularly the employees and guests, continue to be the Group's immediate priority. The businesses will, therefore, ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies.

In 2020/21, the businesses adopted stringent expense control and cost optimisation measures to manage the financial and liquidity burden on the businesses which was augmented by securing loan facilities, particularly through the various relief measures extended by the Government and the Central Bank at the time. Although such initiatives, which aided the businesses in navigating through the challenges presented by the outbreaks last year, will continue to be in place, a prolonged impact on the Leisure businesses will further impact the financial position of the businesses, although these scenarios have been planned for. John Keells Holdings PLC, the parent company, is confident of its ability to extend support to the Leisure businesses, in managing the businesses' funding requirements should there be a need. While the short-term will continue to pose certain challenges, the anticipated recovery in the country and key tourism source markets once the vaccination roll out ramps up, is expected to result in a rapid growth.

Although the construction of 'Cinnamon Red Kandy', jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, was temporarily put on hold with the onset of COVID-19 last year, construction recommenced during the year. The hotel is envisaged to be launched in the second half of 2022/23.

The Government of Maldives has a target of reaching 1.5 million tourists for CY2021, whereas the World Bank estimates 1 million tourist arrivals to the Maldives in CY2021. In its efforts to make the Maldives the first fully vaccinated tourism country in the world, and thereby attract higher arrivals, 53 per cent of the eligible Maldivian population and over 90 per cent of the eligible members of the tourism industry have received the first dose of the COVID-19 vaccine.

As noted in the Leisure industry group review, arrivals to the Maldives and the Group's Maldivian properties have been encouraging with occupancy at ~50 per cent from December 2020 till March 2021, despite the travel restrictions in the UK, a key source market to the Maldives, for outbound travel. However, since then, an exponential increase in COVID-19 cases in India since March 2021, may result in a short-term moderation of arrivals to the Maldives, as India is one of the key source markets to the country, although the Group does not expect a significant impact from the situation in India, given the composition of arrivals to its Maldivian hotel properties. Over the last few weeks, the number of COVID-19 cases in the Maldives has seen a rising trend. While it is premature to assess the impacts of this escalation as of now, a continuation of this could cause, in the short-term, some disruption to the recovery momentum witnessed thus far. Notwithstanding this, the Group envisages a full revival of tourism to the Maldives by the end of this year. Post reconstruction and refurbishments across its three Maldivian properties from 2017/18 to 2019/20 and the addition of 'Cinnamon Velifushi Maldives', the full complement of all four resorts in the Maldives is available to capitalise on this growth momentum in tourist arrivals to the Maldives.

Medium to Long-Term (Beyond COVID-19)

Whilst the Group expects significant short-term challenges given the current situation, the Group remains confident that the prospects for tourism in the medium to long-term remain extremely positive, given the diversity of the offering and the potential for regional tourism, together with availability of its full complement of hotels to cater to this anticipated upsurge in demand. The potential for tourism still remains largely untapped given the country attracted only 2.3 million tourists prior to the Easter Sunday attacks in CY2019, whereas regional tourism has grown many-fold during the last decade. The launch of a global tourism campaign which was delayed for many years was just about to take place prior to the outbreak of the pandemic in CY2020. Focus on improving connectivity into the country at competitive rates along with a concerted marketing campaign in a post-COVID-19 environment is expected to be a significant catalyst to attract tourism into Sri Lanka.

Post reconstruction and refurbishments across its three Maldivian properties from 2017/18 to 2019/20 and the addition of 'Cinnamon Velifushi Maldives', the full complement of all four resorts in the Maldives is available to capitalise on this growth momentum in tourist arrivals to the Maldives.

Cinnamon Hotels & Resorts

As noted in the Leisure industry group review, the Leisure industry group strategically realigned the hotel operations, bringing all 'Cinnamon' hotels and resorts under a single operational structure. This realignment, which is a part of the Group's vision of expanding its footprint, in an asset-light model, will enable the business to create a holistic value proposition that leverages on the round-trip offerings in Sri Lanka and the Maldives, whilst fostering greater synergies and efficiencies across the hotel portfolio resulting in an enhanced customer value proposition.

Colombo Hotels

Several major infrastructure projects are expected to be completed in the ensuing years in Colombo including the Port City Colombo project and the development of the East and West Terminals of the POC. Such notable development is expected to augur well for the city, particularly in attracting business travellers. The availability of dedicated conferencing and meeting facilities is also expected to bode well for tourism, particularly to attract tourism from the MICE segment. The Colombo Hotels segment will be uniquely positioned to capitalise on this opportunity, particularly given the addition of the 'Cinnamon Life' hotel to its portfolio in 2022/23.

Continued focus will be placed on prioritising the development of market-specific strategies aimed at catering to a diverse clientele. The properties will also leverage on its unparalleled F&B offering, by continuing to strengthen its dedicated offerings and flagship restaurants.

Sri Lankan Resorts

Despite the aforementioned headwinds in the short-term, given the increasing traction Sri Lanka has received as a holiday destination and the unparalleled cultural and natural landscape of the country, the prospects for the Sri Lankan Resorts segment remain positive in the medium-term.

The Group will continue its investments to expand the 'Cinnamon' footprint across the island, although primarily in line with the Group's asset-light investment strategy. In addition to the launch of 'Cinnamon Red Kandy', the Group will also place emphasis on monetising its significant land bank, especially in the Southern and Eastern coasts, thereby strengthening its project pipeline for the segment.

The segment will also leverage on its newly reconstructed flagship property 'Cinnamon Bentota Beach', which was unable to realise its full potential post the re-opening of the property given the closure of the country's borders and restrictions on global tourism, to capture premium ARRs and further enhance the 'Cinnamon' brand.

Maldivian Resorts

The performance of the Maldivian Resorts segment is expected to continue on an upward trajectory, given ongoing infrastructure developments and the Government's focus on developing the tourism industry. The Group remains confident of the ability to capitalise on the envisaged growth in tourism in the medium to long-term given the full complement of all four of its properties in full operation as noted earlier.

The segment will continue to work closely with key tourist market operators to better position and market its refurbished room inventory, whilst growing direct bookings through online platforms.

Hotel Management

The sector will continue to develop a pipeline of 'Cinnamon' events, aimed at developing Colombo as an entertainment hub in South Asia whilst 'Cinnamon Box Office' will continue to deliver world-class entertainment through acclaimed stage productions and variety shows, all of which help reinforce the 'Cinnamon' brand.

Destination Management

Emphasis will be placed on opportunities beyond the traditional travel intermediary space. The sector will also focus on improving process efficiency, scalability of operations and productivity of the business in catering to evolving customer needs through the use of its digital platforms.

Property

Immediate to Short-Term

Despite the recent outbreak and escalation of COVID-19 cases in the country, construction activity at both 'Tri-Zen' and 'Cinnamon Life' sites is currently continuing, in adherence to stringent regulations and with some impact on the number of workers on site. The isolation measures and restrictions in movement as advised by the authorities is not expected to have a direct impact on construction activity, although it is premature to fully ascertain the impact, particularly if the measures become more stringent and if there is direct disruption to the site due to the outbreak. The business will continue to work closely with the contractor to manage the impact on the overall project, its resources and deliverables. Continued emphasis will be placed on the health and safety of the employees and the workers on site with efforts underway to vaccinate the workers on site.

The sales momentum for the residential apartments at 'Cinnamon Life' has been slow in line with the trends seen in the luxury segments in the city. However, with the commissioning of the towers and the rest of the complex nearing completion, the business has witnessed increased interest. Sales at 'Tri-Zen' has been encouraging with the sales momentum reaching pre COVID-19 levels by the end of the year under review; this trend is expected to continue albeit the short-term impact on sales from the current outbreak. The funding of 'Cinnamon Life' is in place, given the unutilised component of the committed syndicated loan facility and availability of foreign currency funds earmarked for the project at the Holding Company.

On a positive note, 'Cinnamon Life' will commence revenue and profit generation from the ensuing year onwards, with revenue recognition of the residential and office units sold outright at 'Cinnamon Life' commencing from the first quarter of 2021/22 onwards. 'Cinnamon Life' is at the tail-end of its construction with full operations scheduled to commence in the first quarter of 2022/23, following which the project is envisaged to be a key contributor to Group performance and an iconic development which will transform Colombo's skyline and be a catalyst in creating tourism demand into the city. The Group has commenced discussions with key tenants for the retail mall, with various alternatives being considered for the retail space to ensure unique attractions and offerings. The Group is also in the final stages of negotiations with prospective tenants for the office space at 'Cinnamon Life'.

John Keells Holdings PLC, through JK Land, committed to acquire the remaining 13.3 per cent equity stake of Vauxhall Land Developments (Private) Limited for a consideration of Rs.2.99 billion on or before 24 September 2021. With this acquisition, the Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term. As such, the Group will continue to focus on the monetisation of its extensive land bank and, as such, does not foresee deployment of significant capital in the Property business.

The Group has already gradually commenced the monetisation of the extensive land bank in Digana, through various real estate products under Rajawella Holdings (Private) Limited, which include scenic land parcels, town houses and villa developments.

On the real estate front, the Group expects the mall operations to be significantly impacted on the back of the ongoing outbreak and the resultant restrictions in movement and social distancing norms, although this is not as material in the context of the Group.

Medium to Long-Term (Beyond COVID-19)

Given evolving business models such as with the transition to remote working arrangements in light of the COVID-19 pandemic, the Property business in particular, will assess the business landscape to understand possible lasting shifts in real restate demand. Notwithstanding this, aspects such as increasing demand for commercial and residential spaces, an emerging middle-class demographic, a pipeline of public infrastructure projects, increasing urbanisation and connectivity are envisaged to drive growth in the property and real estate sectors.

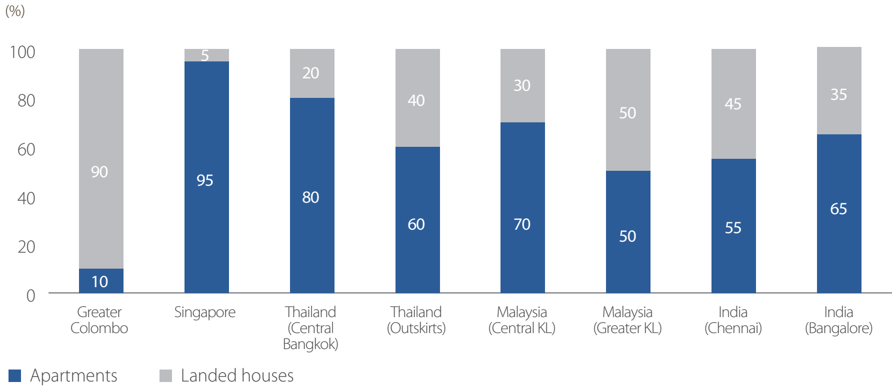
Residential Real Estate

Looking beyond the impacts of the pandemic, prospects for the housing market in Colombo and the suburbs continue to be promising on the back of drivers such as the expanding middle-class demographic, increased commercial activity within Colombo, increasing GDP per capita and low single digit interest rates at present. Increased investments and higher infrastructure spending by the Government, channelled towards enhancing connectivity to the commercial centres of the country, will accelerate demand in these areas and outer regions.

With individuals increasingly moving towards urban areas as a result of improved connectivity and commercial activity, there is a robust and emerging market for affordable, multi-family housing solutions in close proximity to such commercial hubs.

The market for vertical and middle-income housing, in particular, is expected to experience significant growth given increasing land prices in Colombo and the high costs associated with the construction of single-family houses. The proportion of landed housing to apartments within Colombo is notably higher than its regional peers, indicating the need and potential for smart housing solutions at affordable price points, which however need to be within the limited land bank available in Colombo.

~60-70 per cent of housing in regional mega cities, both luxury and mid-tier, are predominantly apartments to ensure maximum value creation within a limited land bank. However, apartment living in Colombo is ~10 per cent, despite the scarcity of land, representing an opportunity within the market.



Source: Company analysis

The Group will leverage on its high-brand equity and expertise of the industry to exploit such opportunities through projects such as 'Tri-Zen' as well as other projects under the 'Metropolitan' and 'Suburban' segments. The Group expects to monetise its extensive lank bank of prime real estate in Colombo and the suburbs to generate returns above the Group hurdle rates over the next 8-20 years given the scale and staggered development of the projects envisaged. To this end, the Group has earmarked a development at the 9.38-acre land held under 'Vauxhall Land Developments Limited' primarily as metropolitan housing, complemented by other supporting commercial uses, which will be developed subject to market demand and supply dynamics.

Commercial Real Estate

The opportunity for high-end 'A-Grade' office space is more pronounced as more global companies move to establish offices within the city, especially in the financial services and business process outsourcing (BPO) sectors. The transformation of Colombo as a financial and commercial hub through large-scale investment projects such as Port City Colombo coupled with increase in business activity is envisaged to drive demand in this segment. The absence of proper infrastructure and management facilities of the current supply in comparison to modern workspaces, also presents an opportunity. However, it is pivotal to note that demand may be tempered in the short to medium-term due to lasting COVID-19 impacts. Based on market opportunity, the industry group will continue to expand its commercial real estate offering at the right time at attractive price points.

Real Estate Investment Trusts

In CY2020, the Colombo Stock Exchange (CSE) and the Securities and Exchange Commission of Sri Lanka (SEC) introduced a framework governing the creation of Real Estate Investment Trusts (REITs), which enabled property developers and real estate owners to transfer a notable portion of income generating, fully completed properties into REITs. Subsequently, amendments to the Inland Revenue Act (IRD) on tax incentives were incorporated to further support this structure. The Group is of the view that this special purpose vehicle will augur well for Sri Lanka and the industry, and, in this regard, businesses will proactively evaluate opportunities to monetise its assets.

Financial Services

Immediate to Short-Term

The ongoing third wave of the COVID-19 outbreak is expected to exert pressure on the performance of the industry group in the immediate-term, given the isolation of select areas deemed as 'high-risk' and restrictions on inter-provincial travel. However, the Group is of the view that the industry group is better placed this year to manage the impact of the ongoing pandemic, given the various initiatives rolled out in 2020/21 aimed at ensuring business continuity and an agile work environment, particularly through investments in digital infrastructure and processes.

The Insurance business is likely to witness disruptions to canvassing for new business and particularly collections in the short-term, should this environment prevail. Whilst it is too premature to ascertain the overall impact of the current outbreak or for how long this situation will prevail, a prolonged impact may adversely affect consumer sentiment and income, inducing policy lapses. However, the business may witness increased requirements for digital capabilities amidst the COVID-19 pandemic, as evident during the previous lockdown, which the business is well positioned to capitalise on. This is expected to aid the business in managing the overall impact on new business premium and renewal premium growth. The business will also focus on an optimal asset allocation to maximise return while managing risks, given the prevailing low interest rate regime. The business will continue to leverage the bancassurance channel given the high level of banking penetration in the country.

Ensuring the health and safety of employees and all stakeholders, including the agency force, remain a key priority of the business. Emphasis will also be placed on expense control and cost optimisation.

On the Banking front, managing liquidity, loan growth and margins will be a key priority for the business. As outlined earlier, a prolonged outbreak may result in lacklustre credit growth on the back of reduced consumer spending which will adversely impact loan growth, although growth may stem from liquidity needs of corporate clients. Prolonged stresses may also result in an increase in non-performing loans and impairments.

Supported by a strong capital base, healthy liquidity buffers and robust risk management models, the Bank is confident that it has the required resources to withstand the potential impacts arising from the current outbreak. To this end, the Bank will continue to proactively assess the developments in the environment in order to implement required actions while providing necessary support to the measures undertaken by the Government to revive the economy.

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) has informed John Keells Holdings PLC that the Monetary Board of CBSL has permitted the John Keells Group to retain its current shareholding of 29.52 per cent in the voting shares of Nations Trust Bank (NTB) until 31 December 2021 and to reduce it to 20 per cent on or before that date and to 15 per cent on or before 31 December 2022.

Medium to Long-Term (Beyond COVID-19)

Insurance

A relatively low level of insurance penetration in comparison to regional markets, rising income levels and an ageing population is expected to aid growth in the life insurance industry in Sri Lanka. The absence of a pension scheme for all citizens and the increasing prevalence of non-communicable diseases is also expected to increase demand for long-term health and annuity solutions. Union Assurance (UA) is uniquely positioned to capitalise on the aforementioned opportunity, given its strong brand equity, diversified portfolio of products and digital know-how.

The business will focus on diversifying its channels and optimising bancassurance partnerships. To this end, although the agency channel is envisaged to be the key driver of revenue growth, the business will also focus on expanding the bancassurance and alternate channels, particularly through the development of innovative insurance products that meet the evolving needs of customers.

The business will continue to revolutionise the insurance landscape in Sri Lanka through ongoing innovative investments and a clear digital road map that focuses on enhancing customer convenience, achieving operational excellence and improving distribution capabilities. Capitalising on the vast data reserve, emphasis will be placed on data analytics for better insight on evaluating the market, developing innovative products and devising growth strategies to fundamentally enhance decision-making capability.

The Insurance business will leverage on its new identity to attract a new generation of customers and augment its market presence. Continued focus will be placed on improving the employee value proposition, to drive further value for all employees. The business will also execute various strategies aimed at the continuous improvement of the agency force through skill development and the retention of the trained talent pool.

Banking

Navigating beyond the impacts of COVID-19, the prospects for the Banking sector continue to be promising with NTB uniquely positioned to capitalise on this opportunity. Recent investments and focus towards strengthening its digital infrastructure, strong customer relationships and flexible solutions have placed NTB in a unique position to capture the opportunities presented by the industry's ongoing digital transformation and strengthen its market positioning.

The Bank will further augment its digital infrastructure and processes to ensure better customer service, innovative solutions and efficiency in operations. The continued expansion and positioning of 'FriMi' as a lifestyle application and digital bank through the integration of various lifestyle solutions, new features and enhanced user interface, will remain an area of focus for the Bank in its digitisation drive.

Investment in upskilling the human capital of the business to thrive in an increasingly digitised industry, driving cost and process efficiencies by leveraging on past investments in automation, lean process re-engineering and activity-based costing measurement frameworks remain a priority in the medium-term.

Stockbroking

The Group expects a revival in foreign investor participation in a post pandemic world, which will contribute to improved activity in the Colombo Stock Exchange. John Keells Stock Brokers (JKSB) will continue to cultivate foreign tie-ups in order to strengthen its presence amongst foreign institutional investors. The business will simultaneously work towards expanding its local client base aimed at local corporates, fund managers and high net-worth individuals.

OUTLOOK

Other, including Information Technology and Plantation Services

Information Technology

Immediate to Short-Term

The outbreak of the COVID-19 pandemic and the resultant restrictions on movement and social distancing protocols, has compelled businesses worldwide to adopt and implement digital solutions, to an extent never envisaged possible. Such adoption has also tested the digital posture and efficacy of business continuity and crisis management plans. The business will leverage on its strategic partnerships and capabilities to offer smart software solutions, especially in the areas of cloud computing, software as a service (SaaS) and automation, whilst concurrently exploiting potential opportunities for managed services, outsourcing and offshoring in light of the current situation.

Medium to Long-Term (Beyond COVID-19)

The business expects continued adoption of information technology solutions even beyond the containment of the COVID-19 pandemic on the back of the higher adoption of digital solutions. To this end, the Group expects to see greater traction in the adoption of cloud-based solutions and services across industries, with emphasis on cloud, SaaS, automation, advanced analytics, application modernisation, cyber resilience and platform/ecosystem thinking, among others. Data is envisaged to become the core ingredient driving the 'new normal' in terms of driving personalisation across the value chain and digital transformation will become a key imperative for most businesses to stay relevant and drive innovation.

John Keells IT (JKIT) will leverage on its strategic partnerships with SAP, Microsoft and UiPath, to expand regionally to capture high-end accounts and increase business reach in Sri Lanka, the Middle East and North Africa (MENA) and the Asia Pacific (APAC). The business will also focus on delivering innovative consultative solutions and services across the four value stacks of 'Core', 'Cloud', 'Platforms' and 'Ecosystems', across multiple industries. JKIT will also place emphasis on building and expanding its capabilities and also look to expand its portfolio of offerings beyond core enterprise resource planning (ERP), enterprise applications, managed development centres, thereby expanding its value proposition and competitive advantage.

The low penetration of BPO services in Sri Lanka and the increasing demand for outsourced services, particularly non-core functions, is expected to augur well for the BPO industry in Sri Lanka. Infomate is uniquely positioned to capitalise on this opportunity, given its strong track record and business capability in catering to offshore clients from varying geographies and industries. Against this backdrop, the business is envisaged to continue its growth momentum, increasing its market share through the acquisition of new clients, while focusing on further diversifying its operations and improving the efficiency of its services through automation and digitisation of processes.

Plantation Services

Immediate to Short-Term

The timely conversion of the traditional tea auctions onto an electronic platform in April 2020 and the continuation of the tea auctions through this platform to-date, will ensure minimal interruption and enable the tea industry to function seamlessly as it navigates through the current outbreak.

Tea Smallholder Factories PLC (TSF) continues to operate its factories, in adherence to stringent health and safety protocols and social distancing measures while placing continuous focus on the health and safety of the employees. The business will also leverage on the learnings and experiences from the previous outbreaks to proactively roll out measures as the situation evolves to ensure minimal disruption to the supply chain. Although it is too premature to ascertain the full impact of the current outbreak, restrictions on inter-provincial travel and increasing cases within the country may create disruptions in the transportation of processed leaf. Despite such headwinds, the business expects the industry to remain resilient with steady tea prices and an improvement in production. However, a potential reduction in oil prices and devaluation of currencies in major tea drinking nations may exert pressure on demand, adversely affecting the industry as a whole.

The increase in the daily wage of plantation workers to Rs.1,000 from March 2021 will adversely affect the industry although many representations are being made by the industry to have a greater productivity-linked wage increase.

Medium to Long-Term (Beyond COVID-19)

Global demand for tea is expected to gain traction on the back of an increase in tea drinking trends globally and a global recovery fuelled by strengthening currencies in major tea drinking nations and steady oil prices. Growing demand for low grown tea from traditional markets in the Middle East and Russia and new demand from emerging tea drinking countries such as Germany and the United States is expected to augur well for Sri Lanka. Adverse and increasingly unpredictable weather conditions on account of climate change and significant competition from other tea-producing nations such as Kenya, India and China remain as key challenges for the business. The business will also continue to adopt increased regulations and controls on chemical usage in the tea plantation industry to meet maximum residue levels (MRLs).

The strategic priorities for TSF for the medium-term are:

- Placing emphasis on the quality of its products whilst also diversifying its manufacturing mix to meet market trends and mitigate risks.
- Cost optimisation and improving factory utilisation.
- Maintaining its reputation as a high-quality producer to the market, while exploring opportunities to cater to high value market segments.
- Continual evaluation of opportunities arising from the emerging Chinese market for Ceylon orthodox black tea.

The Warehousing business will continue to work closely with its stakeholders to maintain and improve relationships while increasing warehouse utilisation. The business will also evaluate expansion opportunities, based on requirements and market trends.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

The Strategy, Resource Allocation and Portfolio Management section aims to provide detailed insights to the manner in which investment decisions of the Group are made by analysing the performance of the overall portfolio, the overall strategic direction of the Group and the means by which capital is allocated for investments.

Due to the unprecedented events over the last two years, the performance of the portfolio has naturally been impacted and therefore the discussion will focus on other aspects of the portfolio strategy. As stated over the previous few years, the Group has been on an investment heavy cycle, where significant capital has been deployed in our Group businesses which paves the way for transformative growth in the future. These investments have continued unabated, demonstrating the Group's 'resilience in investments'.

In managing the Group's portfolio, the Group places emphasis on identifying and pursuing growth prospects that would help achieve the Group's vision of 'Building businesses that are leaders in the region' and its medium to long-term objectives. In this light, businesses adopt a systematic approach to resource allocation and strategy formulation that is aligned with the core values, overall direction and strategies of the Group.

As evident from the past, the Group strives to constantly align its portfolio of businesses with the growth sectors of the economy, both current and futuristic, and continuously endeavours to ensure that capital resources are efficiently employed in a manner that will expand the reach of the portfolio, ensure relevance, and give the ability to compete at the relevant levels, both locally and internationally. The Group believes the current portfolio continues to serve that purpose and that its investments over the last few years and planned investments in these core areas reinforce this strategy.

Given the impact to the Group and its businesses as a result of the COVID-19 pandemic, the preservation of capital resources and its efficient deployment has become more pivotal than before. Whilst the recent outbreak of COVID-19 cases in Sri Lanka has resulted in short-term uncertainty, and although it is too early to ascertain the full scale of this outbreak, the outbreaks in CY2020 in Sri Lanka and the subsequent recovery post easing of restrictions, have imparted learnings and garnered experience for the Group in better navigating the ongoing and potential constraints from the current outbreak. Careful planning and oversight to enable Group businesses to adapt as the situation evolves, whilst managing liquidity and financing is of pivotal importance and the Group will continue to capitalise on such opportunities to ensure continued resilience through the recent outbreak.

The Group is of the view that the fundamentals and potential of the industries the Group operates in remain largely unchanged, as the demand drivers underpinning the business would still be relevant in the medium to long-term, although there may be changes to operating models in some areas.

INSIGHTS

The Group has been in a capital expenditure cycle in the recent years as it has deployed a significant quantum of cash across its businesses to fund the investment pipeline to ensure a transformative growth in the years ahead. While these investments had short-term impacts on performance over the last couple of years on account of related expenses and disruptions, the longer-term benefits of some of these investments are now translating to significant performance impacts in these businesses, which are not fully visible in the reported results due to the offsetting impacts on account of disruptions across two consecutive years given the unprecedented macroeconomic circumstances.

Capital expenditure in recent years include investments aimed at ensuring a completed and refurbished portfolio of Leisure properties, increasing the store footprint of the Supermarket business which has in the last three years doubled to over 120 outlets and enhancing the capacity and capability in the Frozen Confectionery and Insurance businesses, amongst others. The most significant of such investments, 'Cinnamon Life', is nearing completion with the revenue and profit recognition from the sale of the Residential and Office units commencing from the first quarter of 2021/22.

Going forward, from a capital allocation perspective, the strategy of the Group is unlikely to materially deviate as the focus over the last few years has been on driving a better balance in terms of the capital deployed. These include a greater emphasis on investing in consumer-focused businesses, managing the 'skew' in the quantum of capital deployed in the Leisure businesses by focusing on an asset-light investment model and evaluating means to unlocking capital in the business, and the strategy of monetising the extensive land bank of the Group. Addressing the 'skew' in terms of capital deployed continues to be a key priority of the Group, although conditions have not been optimum over the last two years to pursue this strategy. The proposed investment towards the development of the West Container Terminal (WCT) in the Port of Colombo in partnership with the Adani Group in India and the Sri Lanka Ports Authority will ensure continued long-term exposure to the ports business in the country which augers well for the future of the Group once it materialises.

*For a detailed discussion refer the Outlook section - **page 134***

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Following are some of the key strategic initiatives pursued across Group businesses in furtherance of achieving its short, medium and long-term objectives.

- Creation of sustainable value is at the forefront when making operational decisions. An aspect of Group-wide strategy focuses on driving growth and value that is consistent, competitive, profitable and responsible. In this regard, businesses place emphasis on maximising value by augmenting revenue channels, increasing market share and exploring opportunities by fostering a culture of disruptive innovation and digitisation.
- Focus is placed on maintaining flexible cost structures to ensure optimisation of costs and thereby driving efficiencies and profit maximisation. The Group's emphasis on cost optimisation, prudence and agility, has continued to assist businesses in enduring through challenging periods. The Group's response to the COVID-19 pandemic is an apt example of this, with various expense control measures being undertaken at different stages of the pandemic, with the objective of preserving cash and managing its liquidity position.
- Given that continued brand development is essential in fostering customer loyalty, enhancing business image and establishing a more customer-centric identity, Group strategy also focusses on increasing brand equity through a comprehensive understanding of its target market, value proposition, internal alignment to the brand promise and vision. In furtherance of this, 'Cinnamon Hotels & Resorts' was strategically realigned to create a unified organisational structure to ensure an even more synergised approach across the Group's hotels with a view to providing a further enhanced customer value proposition.
- Group strategy also revolves around recruiting, developing and retaining a talented pool of employees. Over the years, the Group has attracted the best and the brightest talent towards building a strong team that reflects the diversity of the customers we serve. The Group engages and encourages employees to perform to the best of their abilities through a performance-oriented culture founded on ethical and transparent behaviour, which, in turn, promotes sustainable and profitable growth. In executing all plans and strategies of the business units, talent management is scrutinised closely and given significant prominence. The Group reinforced its Agile Working Policy which was augmented to cater to the post-pandemic 'work from home' arrangements, some of which are likely to continue based on business exigencies. The Agile Working Policy will help unlock a talent pool and also provide flexibility to our pool of employees.
- Another aspect of Group strategy focuses on re-engineering, process improvement, enterprise risk management and quality management in ensuring that business processes and governance checks across the Group are efficient, agile, robust and in line with international best practice. The Group's digitisation drive aimed at identifying emerging and current disruptive business trends and developing the digital quotient (DQ) of individuals and businesses is also believed to increase the productivity and efficiency through the employment of digital technologies and disruptive business models. During the year under review, the Group's Data and Advanced Analytics Centre of Excellence made significant headway with several use cases being rolled out in the Supermarket and Insurance businesses. Although it is premature to fully assess the full impact of these interventions, preliminary results are extremely encouraging where these anticipated benefits have been incorporated into future budget plans as well.
- Group strategy places significant emphasis on minimising environmental impacts through impact analysis and stakeholder engagement. Strategies are governed by a comprehensive environmental management system and Group-wide sustainability goals which were renewed during the year under review. All operational decisions consider the impact on the Group's sustainability goals and ensure that all possible actions are being taken towards reducing waste and adverse environmental impacts.
- Focus is also placed on developing life skills of communities and empowering them in overcoming social, economic and environmental challenges. The CSR initiatives of the Group are centrally planned and implemented by the John Keells Foundation.

Group businesses continue to adopt a 'Steering Wheel' tool that measures progress on a series of internal business Promises that cater to the needs of the Customer, Community, People, Operations and Finance, which feeds into a multi-dimensional approach to strategy formulation.

Given the Holding Company's diversified interests, resource allocation and portfolio management are imperative in creating value to all stakeholders through evaluation of the Group's fundamentals which are centred on the forms of Capital. Whilst the Group is presented with opportunities in diverse industries, it continues to follow its four-step, structured methodology indicated in the ensuing section, in evaluating its portfolio and thereby guiding investment and divestment decisions.

FINANCIAL FILTER

Cornerstone of the decision criteria based on the JKH hurdle rate

GROWTH FILTER

Evaluates the industry attractiveness and growth potential based on the industry life cycle

STRATEGIC FIT

Evaluates the long-term competitive advantage of a business/industry by closely evaluating the competitive forces, specific industry/business risks, ability to control value drivers and the competencies and critical success factors inherent to the Group

COMPLEXITY FILTER

Considers factors such as sustainability, senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

The Project Risk Assessment Committee, a sub-committee of the Board, provides the Board with increased visibility of large-scale new investments and assists the Board to assess risks associated with significant investments, particularly at the initial stages of discussions, by providing feedback and suggestions in relation to mitigating risks and structuring arrangements. Intervention is mandatory as per the committee scope, if the investment cost exceeds a board mandated threshold.

REGULAR ASSESSMENT OF RISK AND REWARD

In measuring business performance and continuity of operations, all verticals and businesses within each industry group are regularly assessed on key dimensions such as customer orientation, supplier concentration, bargaining power of both customers and suppliers, JV partner affiliations and dependence, cyclicality, regulatory structure, performance against the industry and Sri Lankan economy, procedural, regulatory or technological factors that obstruct or restrict operations and the current and potential competitive landscape, among others.

The capital structure for new ventures are stress-tested under various scenarios, which often leads to taking proactive measures, particularly in managing potential foreign exchange risks during both the development and operating phases. Further, ongoing projects are regularly tested and evaluated in partnership with independent and recognised parties to ensure clear, impartial judgment on matters relating to capital structure, economic implications and key risks.

JKH'S HURDLE RATE

The present hurdle rate of JKH is at 15 per cent which is a function of the weighted average cost of capital (WACC). The WACC is derived from the Group's cost of equity, cost of debt, target capital structure, tax rates and the value creation premium required over and above the WACC. Whilst the cost of debt has followed a downward trend, in general, during the period under review, the hurdle rate has not been revised on the basis that it is a long-term target, and any revision would be warranted only if the above factors are expected to sustain over the long-term.

Even though this hurdle rate is utilised as the initial benchmark rate in evaluating feasibility and opportunity in all projects of the Group, project specific modifiers are also used in order to get a holistic view of the project under consideration. As such, a country specific risk modifier would be applied for investments with a high proportion of foreign currency investment costs and operational cash flows. To this end, the modifier would use a project specific cost of debt and foreign currency denominated equity return benchmark commensurate with the investment, which in turn would be comparatively analysed against projects with similar risk profiles.

CONCEPTUALISING PORTFOLIO PERFORMANCE

The Group aims to strike a balance between optimising immediate portfolio returns against returns in the future. As such, emphasis is placed on both return generating capabilities of the business against its capital employed and the earnings potential of the business or project. This is particularly relevant with projects such as 'Cinnamon Life' which has a long gestation period which impacts the short-term portfolio returns during the development phase of the project. The Group is conscious of the quantum of capital deployed to businesses, and to this end, places a strong emphasis on evaluating projects in a manner which optimises capital efficiency, especially in capital intensive businesses such as Leisure. In order to manage the effective quantum of capital deployed, the Group will continue to explore investment structuring options such as asset-light investment models for future hotel projects and monetise the land bank of the Group in such a manner that generates a return from the strategic parcels of land held.

Being a portfolio of businesses, the Group has benefited from contributions from different businesses at varying points of time based on their growth cycle and correlation with overall economic growth in the country. Over the last few years, the Group has witnessed a shift in the composition of its earnings with a greater contribution from higher ROCE earning industry groups such as Consumer Foods, Retail, and Financial Services. Looking beyond the short-term impacts stemming from the COVID-19 outbreak, the conscious and planned strategies of driving growth in these industry groups is expected to contribute towards an improvement in the ROCE for the Group, whilst concurrently driving absolute earnings growth.

Whilst the business outlook on the financial year 2021/22 cannot be fully ascertained at this point of time given the uncertain and evolving situation, better insights on consumer behaviour and business momentum are expected to aid the business in navigating through the ongoing outbreak, in contrast to 2020/21, where businesses faced such unprecedented challenges for the first time.

During the year under review, to afford the Group the flexibility and agility to fund its investments in an optimal manner whilst providing additional support to the Group's liquidity position, the Holding Company secured a USD 175 million long-term financing facility from the International Finance Corporation (IFC) as outlined in the Capital Management Review section of this Report. Whilst the entirety of the loan was drawn down during the year under review resulting in an increase in debt at the Holding Company, the loan did not impact net debt since the cash balance was also retained at a Holding Company level. From a portfolio management perspective, increased debt levels resulting in a higher capital employed is expected to have an impact on ROCE in the immediate-term, with improvement envisaged post the deployment/use of such funds.

Over the last few years, the Group has witnessed a shift in the composition of its earnings with a greater contribution from higher ROCE earning industry groups such as Consumer Foods, Retail, and Financial Services. Looking beyond the short-term impacts stemming from the COVID-19 outbreak, the conscious and planned strategies of driving growth in these industry groups is expected to contribute towards an improvement in the ROCE for the Group, whilst concurrently driving absolute earnings growth.

INSIGHTS

The significant cash reserves of the Company are primarily from the debt drawdown of the USD 175 million long-term financing facility from IFC and from the funds earmarked for equity commitments of 'Cinnamon Life'. Although the cash balance of the Group is currently generating returns below the Group's hurdle rate, exerting pressure on Group ROCE, given the unprecedented nature of the COVID-19 pandemic, the presence of adequate cash reserves will enable the Group to manage its liquidity requirements better.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

PERFORMANCE OF THE PORTFOLIO

The Group continually endeavours to deliver value to our stakeholders, particularly shareholders. To this end, the Group has in place long-term financial goals which are continually monitored to ensure that the Group is moving progressively towards its vision and objectives, although recent performance has been affected by the effects of the intensive capital expenditure cycle of the Group, the Easter Sunday attacks in 2019/20 and the COVID-19 pandemic.

Capital employed has significantly increased as a result of the 'Cinnamon Life' project and its gestation period, whilst the long-term financing facility obtained during the year from IFC has also contributed to a notable increase in the capital base, both of which have negative impacts on ROCE. These strategic choices, however, have established a strong platform for future growth and while the Board is cognisant of the effects on short-term performance, priority was given to the accretive value creation in the long-term. The Group is now poised to reap the benefits from the 'Cinnamon Life' project from 2021/22 onwards, given the revenue and profit recognition in lieu of the residential and office units handover along with many other investments such as the supermarket outlet expansion and the new impulse ice cream plant coming into fruition, to name a few of the key investments in the Group. Whilst acknowledging that the performance as depicted in the table is well below the target rates, the unprecedented events affecting performance in the last few years has naturally resulted in the foremost impact on performance. However, as stated before, the Group believes, the 'resilience in investing' which continued unabated will come to bear in terms of the medium-term performance.

As seen in the portfolio graph below, a significant portion of capital is deployed in Leisure and 'Cinnamon Life'. Whilst these have resulted in a significant 'drag' on the ROCE of the Group, the commencement of operations of 'Cinnamon Life' will contribute towards a positive ROCE along with the recovery of Leisure, particularly since the Group is poised to benefit from having its full complement of hotels available once the 'pent up' demand of global tourism materialises.

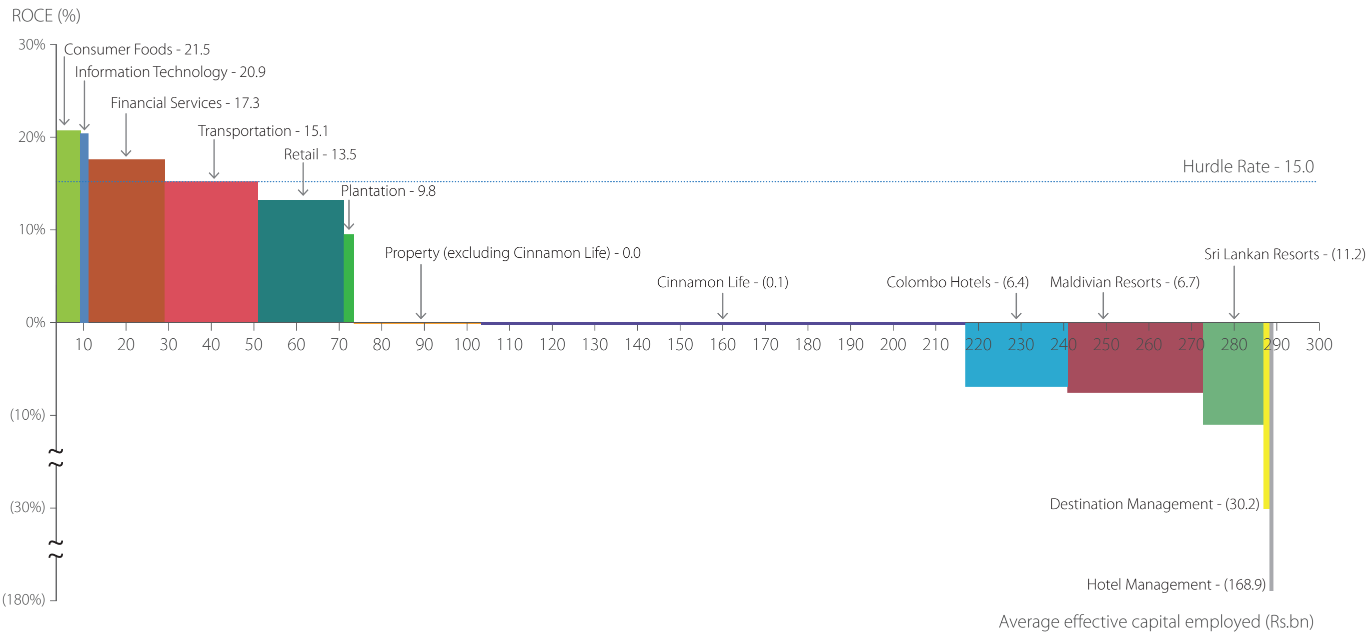
LONG-TERM ASPIRATIONS

Indicator (%)	Goal	Achievement		
		2020/21	2019/20[1]	2018/19
EBIT growth[2]	>20	(41.3)	(25.5)	(33.9)
EPS growth (fully diluted)	>20	(49.3)	(35.9)	(26.5)
Cash EPS growth (fully diluted)	>20	4.5	(24.7)	(15.6)
Long-term return on capital employed (ROCE)	15	2.1	4.2	6.8
Long-term return on equity (ROE)	18	2.2	4.5	7.5
Net debt (cash) to equity[3]	50	20.0	14.0	1.9

[1] *Growth rates for 2019/20 have been adjusted for the impact of SLFRS 16 - Leases. The capital employed and equity for 2018/19 has been adjusted in arriving at the average capital employed and equity base, as applicable, for 2019/20.*

[2] *EBIT Growth excludes the impact of exchange gains/losses.*

[3] *Excludes lease liabilities.*



*Whilst the ensuing section details the high-level impacts to ROCE, for a detailed discussion on the impacts to EBIT and capital employed, as applicable, refer the Industry Group Review section - **page 66***

Transportation

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	15.1		12.6		1.09		1.10
2019/20	18.7		12.5		1.35		1.11

The reduction in asset turnover is predominantly attributable to the decrease in the revenue of the Group's Ports and Shipping and Bunkering businesses, due to a reduction in volumes on the back of the COVID-19 pandemic. The Ports and Shipping businesses was impacted by a shift in the throughput mix as well, given import restrictions in the country.

Consumer Foods

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	21.5		14.9		1.05		1.38
2019/20	23.3		15.0		1.12		1.38

Whilst revenue of the Consumer Foods businesses was impacted by a decline in volumes due to the impact of the COVID-19 pandemic, the businesses also recorded an increase in the asset base, resulting in a decline in the asset turnover.

Retail

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	13.5		4.7		1.83		1.58
2019/20	16.0		4.9		2.16		1.50

The decrease in asset turnover, which was the main contributor to the decline in the ROCE, was a result of the increase in the asset base due to the continued expansion of the outlet base and the investments towards the proposed distribution centre of the Supermarket business and an increase in inventory and trade and other receivables in the Office Automation business in line with higher operational performance. Lower absorption of fixed costs on the back of a decline in revenue due to the closure of outlets during the lockdown exacerbated the impact.

Leisure

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	(8.2)		(136.5)		0.05		1.10
2019/20	(1.1)		(5.1)		0.19		1.12

The outbreak of the COVID-19 pandemic and the resultant closure of airports and restrictions on global travel, had an adverse impact across all Leisure businesses.

*Refer the Industry Group Review section for further information - **page 66***

Property

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	0.0		(0.6)		0.05		1.07
2019/20	1.5		41.1		0.04		1.03

**The ROCE of the Property industry group excludes 'Cinnamon Life'.*

Given the nature of land banking, the ROCE of the Property industry group is suppressed below the Group's hurdle rate, although, as discussed before, the ROCE in the medium-term will improve with higher revenue recognition in 'Tri-Zen' and continued monetisation of the land bank.

Cinnamon Life

During the year, Rs.8.42 billion of cash equity and Rs.17.61 billion of debt was infused to 'Cinnamon Life' to finance the development costs of the project. As at 31 March 2021, the cumulative figures stood at Rs.49.98 billion and Rs.58.86 billion of cash equity and debt, respectively.

The aforementioned cash equity investment at 'Cinnamon Life' excludes the land transferred by JKH and its subsidiaries at the inception of the project. Note that all project related costs including interest costs, unless explicitly mentioned, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

Financial Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	17.3		16.1		0.31		3.50
2019/20	14.9		14.0		0.35		3.09

Improvement in ROCE was driven by higher EBIT margins in the Banking business and the Stockbroking business, as a result of various cost optimisation strategies and efficiency enhancing initiatives.

Other, including Information Technology and Plantation Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2020/21	4.9		73.6		0.06		1.04
2019/20	2.5		31.0		0.08		1.04

ROCE of the Information Technology sector decreased to 20.9 per cent [2019/20: 22.8 per cent] due to a decline in asset turnover as a result of a decrease in revenue due to the impact of COVID-19. ROCE of the Plantation Services sector increased to 9.8 per cent [2019/20: negative 0.2 per cent] due to an increase in profitability aided by higher tea prices and volumes. The ROCE of the Holding Company was impacted by an increase in debt mainly on account of the drawdown of the USD 175 million long-term loan from IFC. However, this was partially offset by higher interest income as the full drawdown of the facility was retained as cash at the Holding Company.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Return on Capital Employed

	Reported ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
Group							
2020/21	2.1		5.5		0.30		1.28
2019/20	4.2		8.6		0.39		1.27
Excluding Leisure							
2020/21	5.2		10.9		0.36		1.34
2019/20	6.0		10.3		0.44		1.32

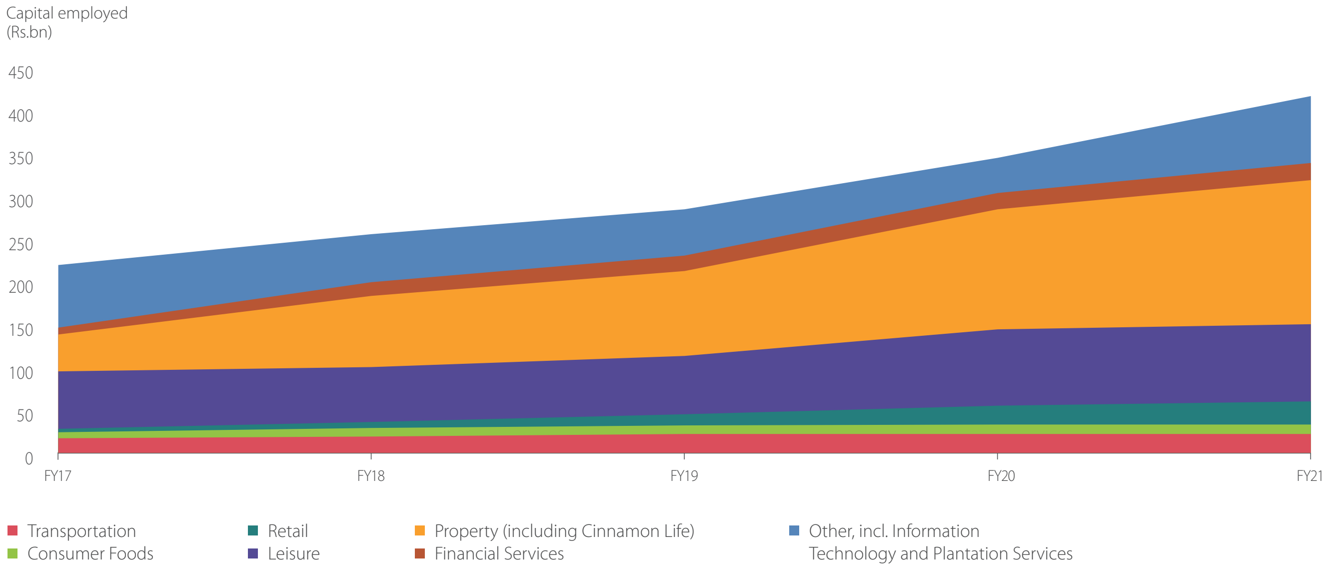
Return on Equity

	Reported ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Equity Multiplier
2020/21	2.2		0.8		1.21		2.20
2019/20	4.5		2.4		0.97		1.94

The ROCE of the Holding Company was impacted by an increase in debt mainly on account of the drawdown of the USD 175 million long-term loan from IFC.

PORTFOLIO MOVEMENTS

Portfolio movements over the past five years are illustrated below.



	2017/18	2018/19	2019/20	2020/21
INVESTMENTS	Invested Rs.9.41 billion in Waterfront Properties (Private) Limited.	Invested Rs.6.75 billion in Waterfront Properties (Private) Limited.	Invested Rs.10.35 billion in Waterfront Properties (Private) Limited.	Invested Rs.8.42 billion in Waterfront Properties (Private) Limited.
	JKH was allotted 18,109,079 ordinary non-voting convertible shares in Nations Trust Bank PLC as part of the Rights Issue. The JKH investment amounted to Rs.1.45 billion, with the effective economic interest of JKH in NTB rising to 32.16 per cent.	Invested Rs.164 million in Glennie Properties (Private) Limited, to purchase 12.12 perches of land in Glennie Street, Colombo 2.	Invested Rs.95.4 million in Nations Trust Bank PLC to purchase 1.15 million non-voting shares.	Invested Rs.5.98 billion in JK Land (Private) Limited, increasing the shareholding in Vauxhall Land Developments (Private) Limited to 86.7 per cent from 60.0 per cent. Committed to infuse a further Rs.2.99 billion on or before 24 September 2021 to fully acquire Vauxhall Land Developments (Private) Limited.
	Invested a total of Rs.6.18 billion in JK Land (Private) Limited. Of this, Rs.4.37 billion was utilised to purchase 334 perches of land from a subsidiary of CT Holdings PLC. Rs.1.80 billion was infused for the development of 'Tri-Zen'.	Invested Rs.1.09 billion in JK Land (Private) Limited for the purchase of 98.88 perches of land in Tickell Road, Colombo 8.	KHL invested Rs.466 million in Ceylon Holiday Resorts Limited for the refurbishment of 'Cinnamon Bentota Beach'.	Invested Rs.215 million in purchase preference shares in Saffron Aviation (Private) Limited.
	Increase in JKH's shareholding from 50 per cent to 100 per cent through the acquisition of 11 million shares of Transware Logistics (Private) Limited (TWL) for a consideration of Rs.305 million.	Invested Rs.1.06 billion in LogiPark International (Private) Limited for the construction of a multi-use international logistics centre.	KHL invested Rs.145 million in Indra Hotels and Resorts Kandy (Private) Limited, for the preliminary construction work of 'Cinnamon Red Kandy'.	KHL further invested Rs.105 million in Indra Hotels and Resorts Kandy (Private) Limited, for the construction work of 'Cinnamon Red Kandy'.
	Ceylon Cold Stores PLC (CCS) invested Rs.989 million in the Colombo Ice Company (Private) Limited, to construct a new ice cream production facility in Seethawaka.	John Keells Hotels PLC (KHL) invested Rs.817 million in Ceylon Holiday Resorts Limited and increased its shareholding from 99.1 per cent to 99.3 per cent.		
		Further to the investment made in 2017/18, CCS invested a further Rs.450 million in The Colombo Ice Company (Private) Limited.		
DIVESTMENTS	JKH divested 915,268 ordinary shares of Union Assurance PLC (UA), towards meeting the minimum float requirement of the CSE.	The Group reduced its effective holding of UA by 2.36 per cent to 90.0 per cent for a consideration of Rs.290 million to fulfil the minimum public holding requirement on the 'Diri Savi' Board.		

SHARE INFORMATION

The following is an overview of the market conditions which prevailed during the year under review, both globally and locally. The section concludes with a discussion on JKH share-related information.

GLOBAL AND LOCAL MARKET REVIEW

Despite the unprecedented impact of the COVID-19 pandemic on economies globally, financial markets across the globe remained resilient, with most stock markets worldwide recording returns above their historical norms as at the end of the calendar year. With the COVID-19 outbreak declared as a pandemic in early March 2020 and the resultant uncertainties, the first quarter of CY2020 noted a steep decline in global markets where investors were bracing for a global recession. Proactive interventions by Governments and central banks such as expansionary monetary and fiscal policies to boost economies coupled with the rapid development of multiple effective vaccinations, reversed this decline with global stock markets rebounding back to record highs by end-CY2020.

To this end, although the MSCI World Index declined by 22 per cent in the first quarter of CY2020, the index subsequently gained 46 per cent during the remaining quarters, resulting in a 14 per cent increase during CY2020. The US stock market followed a similar trend, with the S&P 500 gaining 16 per cent during the year, despite a 20 per cent decline in the first quarter. The US equity market rallied on the back of the largest Federal Government stimulus to-date, historic support from the Federal Reserve and expectations for an economic rebound as COVID-19 vaccines became widely distributed, despite the adverse impact of the pandemic on unemployment and small businesses. Similar behaviour was witnessed elsewhere in the world, with the STOXX Europe 600, China's Shanghai Composite and Japan's Nikkei 225 recording gains in the last three quarters of the calendar year, despite a decline in the first quarter. China's Shanghai Composite and Japan's Nikkei 225 indices gained 13 per cent and 16 per cent, respectively, during CY2020, while STOXX Europe 600 declined by 4 per cent. Emerging market equities marginally outperformed developed markets during this period. The main drivers of the market were technology and digital services companies.

In line with global and regional markets, both the All Share Price Index (ASPI) and the Standard and Poor's Sri Lanka 20 (S&P SL20) Index of the Colombo Stock Exchange (CSE) exhibited similar trends in CY2020. For the financial year, both indices recorded a steep rise, as evident from the table alongside. Although market performance was adversely impacted by restrictions on physical movement in lieu of the COVID-19 pandemic resulting in the closure of the CSE from 20 March 2020 till 11 May 2020, and external pressures stemming from a flight of funds in the first half of 2020/21, strong domestic participation coupled with the prevailing low interest rate environment, drove demand towards equities aiding a strong rebound in equity markets. An increase in investor participation led to the average daily turnover increasing by 259 per cent compared to 2019/20. Total net foreign outflows were recorded at Rs.63.64 billion during the year compared to Rs.11.06 billion last year, particularly given the multiple downgrades in Sri Lanka's sovereign rating. Market price-to-earnings ratio (PER) increased to 15.0 times in 2020/21 [2019/20: 8.4 times].

Total number of shares in issue as at 31/03/2021	1,319,663,951
Public shareholding as at 31/03/2021	98.98%
Stock symbol	JKH.N0000
Newswire codes of the JKH Share	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKELF.PK
Global Depositary Receipts (GDR) balance	1,320,942

Indices

	Value		%
	31 Mar 2021	31 Mar 2020	
MSCI			
All Country World Index	673.29	442.35	52
All Country World Index excluding USA	336.07	229.69	46
World (23 Developed markets)	2,811.70	1,852.73	52
USA	3,854.97	2,459.87	57
Europe	1,905.02	1,341.52	42
Europe, Australasia and Far East	2,208.32	1,559.59	42
Emerging Markets	1,316.43	848.58	55
Frontier Markets	573.31	423.47	35
Peer			
SENSEX	49,509.15	29,468.49	68
JKSE	5,985.52	4,538.93	32
STI	3,165.34	2,481.23	28
KLSE	1,573.51	1,350.89	16
Local			
ASPI	7,121.28	4,571.63	56
S&P SL20	2,850.12	1,947.42	46

Key Market Indicators

		31 Mar 2021	31 Mar 2020	%
Overall CSE market capitalisation	(Rs.billion)	3,111.26	2,128.27	46
Net foreign inflows/ (outflows)	(Rs.billion)	(63.64)	(11.06)	475
Average daily turnover	(Rs.million)	2,934.14	817.82	259

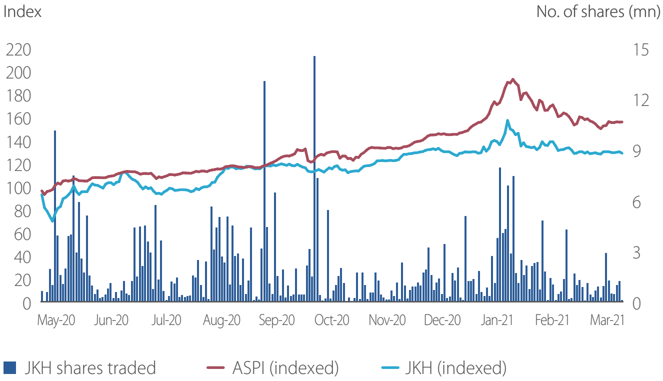
Market Information of the Ordinary Shares of the Company

		2020/21	2020/21				2019/20
			Q4	Q3	Q2	Q1	
Share Information							
High	(Rs.)	187.00	187.00	154.00	138.00	132.00	172.00
Low	(Rs.)	79.90	146.25	124.00	104.00	79.90	113.90
Close	(Rs.)	148.50	148.50	149.60	134.60	122.50	115.40
Dividend paid per share	(Rs.)	1.50	0.50	0.50	0.50	-	3.50
Trading Statistics							
Number of transactions		86,930	18,746	14,654	32,604	20,926	22,329
Number of shares traded	('000)	390,995	97,791	89,174	132,712	71,318	332,433
Value of all shares traded	(Rs.million)	52,017	15,575	12,422	16,556	7,464	51,311
Average daily turnover	(Rs.million)	238	269	200	259	213	223
Percentage of total market turnover	(%)	8	5	7	15	14	28
Market capitalisation	(Rs.million)	195,970	195,970	197,255	177,477	161,522	152,161
Percentage of total market capitalisation	(%)	6.3	6.3	6.9	6.6	6.4	7.1

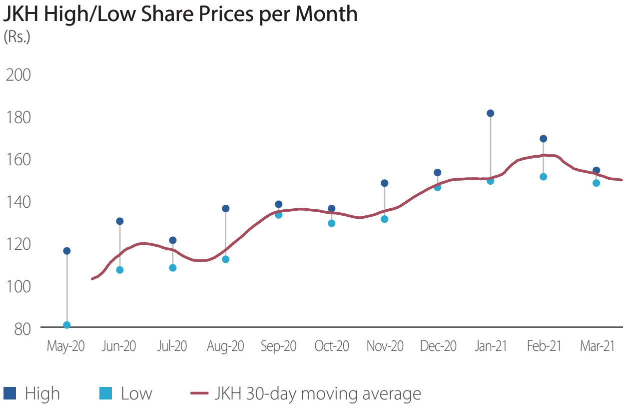
JKH SHARE

The JKH share increased by 29 per cent to Rs.148.50 as at 31 March 2021 from Rs.115.40 on 31 March 2020. The movement of the JKH Share against the ASPI is exhibited below.

JKH Share Performance vs ASPI (Indexed)



JKH High/Low Share Prices per Month



The beta of the JKH share as at 31 March 2021 stood at 1.04. The beta is calculated on the daily JKH share movements against movements of the ASPI for the five-year period commencing 1 April 2016 to 31 March 2021. The compounded annual growth rate (CAGR) of the JKH share over the 5-year period stood at 2.6 per cent, compared to that of the market which stood at 3.2 per cent for the same period.

ISSUED SHARE CAPITAL

The number of shares in issue by the Company increased marginally to 1,319,663,951 as at 31 March 2021 from 1,318,550,768 as at 31 March 2020 due to the exercise of employee share options (ESOPs). Further details of the Company's ESOP plans are found in the ensuing section of this discussion. The Global Depository Receipts (GDRs) balance in ordinary share equivalent remained at 1,320,942.

DIVIDEND

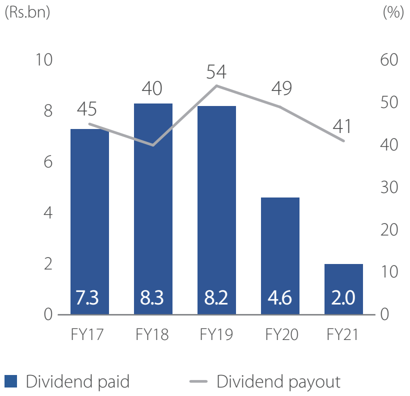
During the year under review, the Company paid three interim dividends of Rs.0.50 per share, each, in August and December 2020, and March 2021. A final dividend for 2020/21 of Rs.0.50 per share was declared to be paid in June 2021, reflecting the positive momentum of the performance of the businesses in the fourth quarter of 2020/21, notwithstanding the impacts of the current outbreak on the cash generation capability of the Group's diverse portfolio of businesses and the continued impacts of the Leisure businesses on the overall performance of the Group.

Accordingly, the total dividend declared per share for the financial year 2020/21 amounted to Rs.2.00 per share [2019/20: Rs.2.50 per share]. The total dividend paid during the financial year was Rs.1.98 billion [2019/20: Rs.4.61 billion]. The Group payout ratio was at 41 per cent during the year [2019/20: 49 per cent].

The Group will follow its dividend policy which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity, particularly given the prevailing challenging circumstances, and fund its pipeline of strategic investments.

SHARE INFORMATION

Distributions to Shareholders and Payout Ratio



The Group will follow its dividend policy which corresponds with growth in profits, whilst ensuring that the Company maintains adequate funds to ensure business continuity, particularly given the prevailing challenging circumstances, and fund its pipeline of strategic investments.

EARNINGS PER SHARE

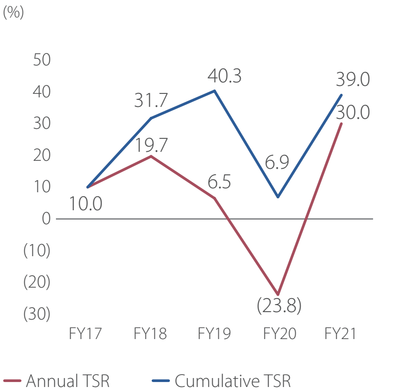
The fully diluted earnings per share (EPS) for the financial year decreased by 49 per cent to Rs.3.62 per share [2019/20: Rs.7.14] due to a decrease in total profit attributable to equity holders. On a recurring earnings basis, the diluted EPS decreased to Rs.3.59 in the current financial year from Rs.7.08 recorded in the previous financial year, thus representing a decrease of 49 per cent.

The items affecting profitability are discussed, in depth, in the Management Discussion and Analysis section of this Report.

TOTAL SHAREHOLDER RETURN

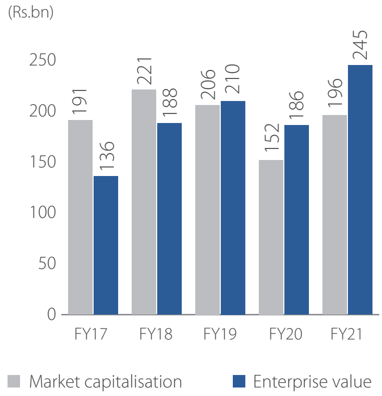
The total shareholder return (TSR) of the JKH share stood at 30.0 per cent for the period under review, while the total return index of the S&P SL 20 recorded a return of 55.0 per cent. On a cumulative basis, over a five-year holding period, the share inclusive of dividends and warrants issued, posted a compounded annualised total return of 6.8 per cent.

Total Shareholder Return



Note: Includes the proportionate impact arising from the ownership of Warrants and Share Repurchase in 2018/19.

Market Capitalisation and Enterprise Value



MARKET CAPITALISATION AND ENTERPRISE VALUE

The market capitalisation of the Company increased by 29 per cent to Rs.195.97 billion as at 31 March 2021 [2019/20: Rs.152.16 billion]. As at the financial year end, JKH represented 6.3 per cent of the total market capitalisation of the CSE [2019/20: 7.1 per cent].

The enterprise value of the Group increased by 31 per cent to Rs.244.68 billion as at 31 March 2021 [2019/20: Rs.186.24 billion].

As at 31 March 2021, JKH had a float adjusted market capitalisation of Rs.193.97 billion and 14,200 public shareholders. Thus, the Company is compliant under option 1 of the minimum threshold requirements for the Main Board of the CSE, as per the directive issued in terms of section 13 (c) and 13 (cc) of the Securities and Exchange Commission of Sri Lanka Act No.36 of 1987, circulated on 16 November 2016.

Price Earnings Ratio

Index	2020/21	2019/20
JKH	41.0	16.2
CSE	15.0	8.4
SENSEX	33.7	17.8
KLSE	20.5	17.6
JCI	26.0	15.7
STI	42.4	13.7

Summary Indicators

		2020/21	2019/20	2018/19
Market capitalisation	(Rs.billion)	196.0	152.2	205.6
Enterprise value	(Rs.billion)	244.7	186.2	210.0
EV/EBITDA	(times)	15.7	9.2	8.8
Diluted EPS	(Rs.)	3.6	7.1	11.1
PER diluted	(times)	41.0	16.2	14.0
Price to book	(times)	0.9	0.7	1.0
Price/cash earnings	(times)	13.2	10.7	10.9
Dividend yield	(%)	1.0	3.0	3.8
Group dividend payout ratio	(%)	41.5	49.0	53.7
Net assets per share	(Rs.)	171.4	164.5	154.9
TSR	(%)	30.0	(23.8)	6.5

As at 31 March 2021, JKH had a float adjusted market capitalisation of Rs.193.97 billion and 14,200 public shareholders.

Composition of Shareholders

	31 Mar 2021			31 Mar 2020		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Non-resident:						
Institutions	89	485,528,066	36	100	580,679,792	44
Individuals	243	6,952,365	1	230	8,751,833	1
Total Non-resident	332	492,480,431	37	330	589,431,625	45
Resident:						
Institutions	692	408,263,803	31	602	322,603,994	24
Individuals*	13,182	418,919,717	32	10,809	406,515,149	31
Total Resident	13,874	827,183,520	63	11,411	729,119,143	55
Total	14,206	1,319,663,951	100	11,741	1,318,550,768	100

** Includes Directors, spouses and connected parties.*

Distribution of Shareholders

	31 Mar 2021				31 Mar 2020			
	Number of Shareholders	%	Number of Shares Held	%	Number of Shareholders	%	Number of Shares Held	%
Less than or equal to 1,000	9,178	64	2,086,693	0	7,452	53	1,595,028	0
1,001 to 10,000	3,422	24	12,270,037	1	2,864	20	10,285,225	1
10,001 to 100,000	1,237	9	38,224,468	3	1,094	8	33,149,306	3
100,001 to 1,000,000	256	2	80,702,749	6	224	2	70,765,045	5
Over 1,000,001	113	1	1,186,380,004	90	107	1	1,202,756,164	91
Total	14,206	100	1,319,663,951	100	11,741	83	1,318,550,768	100

Options Available to Executive Directors under the Employee Share Option Scheme

Year of Expiry	K Balendra			G Cooray		
	Granted Shares (Adjusted)*	Immediately Vesting	To be Vested	Granted Shares (Adjusted)*	Immediately Vesting	To be Vested
2021/22	300,000	300,000	-	300,000	300,000	-
2022/23	375,000	281,250	93,750	350,000	262,500	87,500
2023/24	450,000	225,000	225,000	430,000	215,000	215,000
2024/25	450,000	112,500	337,500	430,000	107,500	322,500
2025/26	450,000	-	450,000	430,000	-	430,000
Total	2,025,000	918,750	1,106,250	1,940,000	885,000	1,055,000

** Adjusted for share subdivisions.*

SHARE INFORMATION

Director's Shareholding

	31 Mar 2021	31 Mar 2020
K Balendra*	10,914,400	10,914,400
G Cooray	207,105	207,105
H Wijayasuriya	-	-
A Omar	-	-
N Fonseka	-	-
A Cabraal	45,137	45,137
P Perera	-	-

**Includes shareholding of spouse.*

Note: There were no share dealings by the Executive Directors to be reported for John Keells Holdings PLC, for the period between 1 April 2020 to 31 March 2021. Therefore, there has been no requirement to maintain an interest register for this period.

Executive Director's Shareholding in Group Companies

	Number of Shares as at 31 Mar 2021	
	K Balendra*	G Cooray
Ceylon Cold Stores PLC	81,904	-
Asian Hotels and Properties PLC	-	10,600
Trans Asia Hotels PLC	-	1,200

**Includes shareholding of spouse.*

Top Twenty Shareholders of the Company

	31 Mar 2021		31 Mar 2020	
	Number of Shares	%	Number of Shares	%
Mr S E Captain	150,769,641	11.42	153,211,107	11.62
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	141,854,717	10.75	141,854,717	10.76
Melstacorp PLC	128,917,111	9.77	128,917,111	9.78
Paints and General Industries Limited	114,977,303	8.71	93,787,615	7.11
Schroder International Selection Fund	42,475,806	3.22	42,475,806	3.22
HWIC Asia Fund	39,250,982	2.97	39,250,982	2.98
Mr R S Captain	35,544,282	2.69	35,733,994	2.71
Norges Bank Account 2	31,706,807	2.40	28,394,516	2.15
Aberdeen Standard Asia Focus PLC	23,873,572	1.81	22,693,572	1.72
Mr Kandiah Balendra	19,511,476	1.48	19,511,476	1.48
Employees Trust Fund Board	18,709,833	1.42	18,690,918	1.42
Fidelity Fund - Pacific	17,880,904	1.35	19,060,108	1.45
Mrs C S De Fonseka	16,952,586	1.28	13,668,417	1.04
Mrs S A J De Fonseka	15,204,230	1.15	13,122,826	1.00
Edgbaston Asian Equity Trust	14,809,382	1.12	29,849,703	2.26
Chemanex PLC	11,417,835	0.87	5,250,569	0.40
LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	11,297,899	0.86	11,297,899	0.86
Mr K N J Balendra	10,907,628	0.83	10,907,628	0.83
Schroder Asian Growth Fund	10,328,047	0.78	13,164,018	1.00
Employee's Provident Fund	10,159,322	0.77	10,159,322	0.77

Employee Share Option Plan as at 31 March 2021

	Date of Grant	Employee Category	Shares Granted	Expiry Date	Option Grant Price (Rs.)	Shares Adjusted[2]	Exercised	Cancelled[2]		Outstanding			
								Due to Resignations	Due to Performance	Total	Vested	Unvested	End/ Current Price[2] (Rs.)
PLAN 9	15.08.2016		9,948,581	14.08.2021	142.83	9,948,581	1,254,709	1,214,787	194,161	7,284,924	7,284,924		142.83
Award 1[3]		GEC[1]	2,625,000			2,850,000	600,000			2,250,000	2,250,000		
		Other Executives	7,323,581			7,098,581	654,709	1,214,787	194,161	5,034,924	5,034,924		
PLAN 9	03.07.2017		10,402,204	02.07.2022	173.25	10,402,204		1,204,397	194,578	9,003,229	7,522,807	1,480,422	173.25
Award 2[4]		GEC[1]	2,865,000			3,090,000				3,090,000	2,852,500	237,500	
		Other Executives	7,537,204			7,312,204		1,204,397	194,578	5,913,229	4,670,307	1,242,922	
PLAN 9	22.06.2018		10,381,395	21.06.2023	154.10	10,381,395	27,798	1,074,941	192,016	9,086,640	5,715,915	3,370,725	154.10
Award 3[5]		GEC[1]	2,615,000			2,970,000				2,970,000	2,352,500	617,500	
		Other Executives	7,766,395			7,411,395	27,798	1,074,941	192,016	6,116,640	3,363,415	2,753,225	
PLAN 10	01.07.2019		6,568,000	30.06.2024	136.97	6,568,000	32,500	268,000	122,250	6,145,250	2,194,250	3,951,000	136.97
Award 1[6]		GEC[1]	2,460,000			2,460,000				2,460,000	1,140,000	1,320,000	
		Other Executives	4,108,000			4,108,000	32,500	268,000	122,250	3,685,250	1,054,250	2,631,000	
PLAN 10	19.10.2020		6,557,100	30.06.2025	132.86	6,557,100		30,000		6,527,100	431,700	6,095,400	132.86
Award 2[7]		GEC[1]	2,230,000			2,230,000				2,230,000	350,000	1,880,000	
		Other Executives	4,327,100			4,327,100		30,000		4,297,100	81,700	4,215,400	
Total			50,638,562			52,676,487	1,576,470	4,915,020	828,031	38,047,143	23,149,596	14,897,547	

1 *GEC comprises of the Executive Directors and Presidents.*
2 *Adjusted for Bonus Issues/Right Issues/Sub-divisions.*
3 *Plan 9 (Award 1) - 100% of the options had vested as at 31 March 2021.*
4 *Plan 9 (Award 2) - 75% of the options had vested as at 31 March 2021.*
5 *Plan 9 (Award 3) - 50% of the options had vested as at 31 March 2021.*
6 *Plan 10 (Award 1) - 25% of the options had vested as at 31 March 2021.*
7 *Plan 10 (Award 2) - None of the options had vested as at 31 March 2021 with the exception of retirees.*

SHARE INFORMATION

Share Capital

Year ended 31 Mar	Number of Shares in Issue (million)
2011	629.69
2012	844.12
2013	857.24
2014	990.29
2015	997.49
2016	1,189.40
2017	1,387.47
2018	1,387.53
2019	1,318.17
2020	1,318.55
2021	1,319.66

GDR History (in terms of ordinary shares, million)

Year ended 31 Mar	Opening Balance	Issued*	Converted/ Repurchased	Closing Balance
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13
2014	1.13	-	0.01	1.12
2015	1.12	-	-	1.12
2016	1.12	-	-	1.28
2017	1.12	0.2	-	1.32
2018	1.32	-	-	1.32
2019	1.32	-	-	1.32
2020	1.32	-	-	1.32
2021	1.32	-	-	1.32

1 GDR is equivalent to 2 ordinary shares.

* *First issued in 1994/95 and subsequently increased along with bonus issues and subdivision of shares.*

Dividends

Year ended 31 Mar	DPS* (Rs.)	Dividends (Rs.000)
2011	3.00	1,868,707
2012	3.00	2,313,519
2013	3.50	2,982,421
2014	3.50	3,266,718
2015	3.50	3,475,947
2016	7.00	8,037,790
2017	5.50	7,280,497
2018	6.00	8,324,983
2019	5.00	8,186,450
2020	2.50	4,614,133
2021	2.00	1,978,317

**Dividend declared per share.*

History of Scrip Issues, Rights and Repurchases

Year ended 31 Mar	Issue	Basis	Number of Shares (million)	Ex-date	Cash Inflow/ (Outflow) (Rs.billion)
2012	Subdivision	4:3	210	30-Jun-2011	N/A
2013	Rights @ Rs.175*	2:13	132	3-Oct-2013	23.1
2016	Subdivision	7:8	143	30-Jun-2015	N/A
2017	Subdivision	7:8	170	30-Jun-2016	N/A
2019	Repurchase @ Rs.160	1:20	69	11-Jan-2019	(11.1)

** Unadjusted prices.*

2020/21 Financial Calendar

	Date
Three months ended 30 June 2020	29-Jul-2020
Six months ended 30 September 2020	5-Nov-2020
Nine months ended 31 December 2020	27-Jan-2021
Annual Report 2020/21	24-May-2021
42nd Annual General Meeting	25-Jun-2021
First interim dividend paid on	28-Aug-2020
Second interim dividend paid on	7-Dec-2020
Third interim dividend paid on	2-Mar-2021
Final dividend proposed to be paid on	25-Jun-2021

2021/22 Financial Calendar

	Date
Three months ended 30 June 2021	On or before 28 July 2021
Six months ended 30 September 2021	On or before 2 November 2021
Nine months ended 31 December 2021	On or before 26 January 2022
Annual Report 2021/22	On or before 25 May 2022
43rd Annual General Meeting	On or before 24 June 2022

AGILE

GOVERNANCE

In furtherance of Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review and applicable disclosures, the Corporate Website entails a detailed and comprehensive discussion of the below sections.

Corporate Governance Commentary

Entails a discussion of the Group's corporate governance framework, which endeavours to create an enabling environment for growth in a structured, predictable and sustainable manner.

Sustainability Integration, Stakeholder Engagement and Materiality

Provides an overview of the Group's approach and framework towards sustainable development and long-term value creation.

Risks, Opportunities and Internal Controls

Includes a discussion of the key risks faced by the Group. The section also entails an overview of the Group's Enterprise Risk Management framework.

CORPORATE GOVERNANCE COMMENTARY

The Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, predictable and sustainable manner. The Group's corporate governance philosophy is institutionalised across all its business units, and it is this philosophy that has continuously created value for all its stakeholders, notwithstanding the external environment and macro conditions.

In furtherance of Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review and the mandatory disclosures required under various regulatory frameworks, the Corporate Website entails a detailed and comprehensive discussion of the Group's Corporate Governance Framework.

For a detailed Corporate Governance Commentary
www.keells.com

The Group's framework has its own set of internal policies processes and structures aimed at meeting accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.

KEY GOVERNANCE HIGHLIGHTS

- Given the unprecedented challenges and operating conditions arising from the COVID-19 pandemic, in March 2020, the Group evaluated the resilience of its businesses under multiple scenarios, including extreme operating conditions. The businesses continued to proactively evaluate their operational performance and financial health during the year under review with many measures implemented from March 2020 onwards, including the following.
    - Adopted weekly dashboards, which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash and collections targets.

COMPLIANCE SUMMARY

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions – compliant with almost the full 2017 Code, to the extent of business exigency and as required by the John Keells Group

Key Internal Policies

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, teleworking and agile working policies including health and safety enhancements and protocols in light of the COVID-19 pandemic
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Gender policy
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and Child Protection adopted by the Group
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti- money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and foreign exchange risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services

CORPORATE GOVERNANCE COMMENTARY

  - Established 'cash war rooms' and 'spend control towers' to critically review each spend item, prioritise payments, and impose clear reporting metrics. Although such initiatives were institutionalised primarily in response to the COVID-19 pandemic, the Group will continue to implement select measures to ensure an agile, efficient and productive business model.
  - A freeze on all non-essential capital expenditure.
  - Enforced stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent across the Group. Full remuneration was reinstated from July 2020 onwards, in tandem with the recovery in performance.
  - Group companies applied for relief measures, where relevant, extended by the Government and Central Bank which eased the financial position further.

- While the Group had a strong cash position and availability of banking facilities at the onset of the COVID-19 pandemic, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group. In June 2020, JKH entered into a ten-year financing agreement with the International Finance Corporation (IFC) for USD 175 million to support funding of the Holding Company's investment pipeline, marking IFC's largest investment to date in Sri Lanka.
  - Despite the increase in debt on account of the drawdown of this facility, it is noted that there was no impact on net debt as at 31 March 2021 since the cash balance was also retained at the Holding Company level.
  - During the year under review, the Group entered into an interest rate hedge for USD 100 million of the USD 175 million long-term financial facility as a prudent measure to mitigate the Group's exposure to interest rate fluctuations. In April 2021, the Group entered into a further hedge for USD 57 million of the remaining exposure of USD 75 million of the IFC loan.

- The Group introduced an improved and augmented Agile Working Policy with the intention of encouraging and unlocking new talent pools and adopting new ways of working, particularly in adapting to the evolving and dynamic environment. Whilst this policy facilitates current working arrangements with greater clarity, the primary purpose of this policy is to ensure a greater degree of employee involvement and flexibility in work arrangements, which will help increase retention and motivation of existing employees while expanding the talent pool and enabling greater participation of women in the workforce.

- With the onset of the COVID-19 pandemic, the Group transitioned to 'work from home' arrangements, where possible. The Group's robust technology and digital platforms in place at the time enabled a seamless transfer with minimal impact on business operations. In order to further strengthen the IT frameworks in place the Group continued with its migration to cloud-based identity management, consolidated the Security Operations Centre protocols, augmented data classification and management while migrating applications to the cloud and adopting digital platforms.

- To amplify the Group's emphasis on creating an inclusive, diverse and equitable work environment, the Group's first Diversity, Equity and Inclusion (DE&I) programme was established with the aim of increasing female participation in the workforce by implementing identified initiatives such as gender goals, employer supported childcare solutions, change agent networks and training and development. Some key initiatives in this regard included extension of maternity and paternity leave, introduction of adoption leave and institution of a Gender Policy. The Group also established a goal of increasing women participation up to 40 per cent by the end of 2025/26 [2020/21: 30 per cent], as a first step towards achieving gender parity in the employee cadre.

- The Group embarked on a journey of strengthening its internal audit and process review framework by further augmenting, through automation, its holistic approach to conducting internal audits and process reviews. This framework is expected to encourage auditors to report on value added recommendations, based on independent assessments and their knowledge of leading industry best practice and access to global knowledge bases. It will also help ascertain the degree of alignment between process controls and IT functional facilitation of these processes, expand its database of known types of fraud and maintain a central repository of data sets to undertake retrospective forensic data analysis and to steer audit scoping going forward.

- The integrated fraud deterrent and investigation framework, which was initiated with the aim of driving and delivering continuous improvements of its assurance related initiatives, ran its first full cycle of operations during the year under review. As envisaged, the framework integrated the management of all aspects of fraud and stakeholder assurance, reinforced uniformity across common processes in matters relating to fraud and employed a data-driven approach to the continuous assessment of control efficacy while enabling better monitoring and refining audit trails.

- 'Cinnamon Hotels & Resorts' was strategically realigned to create a unified organisational structure to ensure an even more focused leadership and synergised approach across the Group's hotels. The revised structure encompasses a holistic approach to the portfolio of hotels as opposed to the previous separate verticals of City and Resorts – in Sri Lanka and the Maldives.

*Leisure industry group review - **page 96***

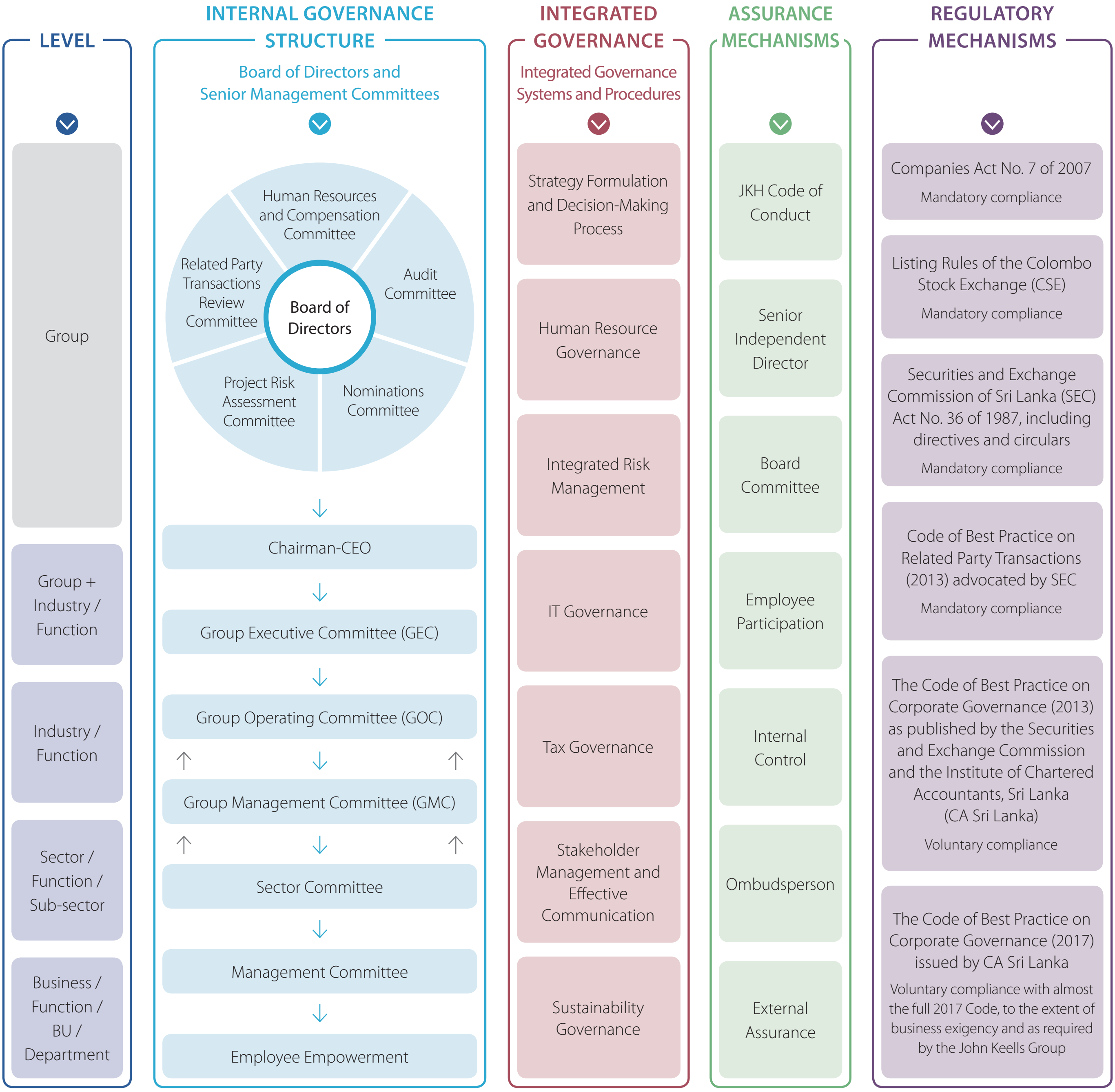
- Independence of the Group's whistle-blower channels was maintained by the appointment of a new Ombudsperson effective 1 December 2020. This individual is an attorney-at-law by profession.

- Given the faster than anticipated recovery momentum in business activity and the generation of cash profits by the Group, during the year under review, the Board declared a first, second and third interim dividend of Rs.0.50 per share each in July 2020, November 2020 and January 2021, respectively. A final dividend for 2020/21 of Rs.0.50 per share was declared to be paid in June 2021, reflecting the positive momentum of the performance of the businesses in the fourth quarter of 2020/21, notwithstanding the impacts of the current outbreak on the cash generation capability of the Group's diverse portfolio of businesses and the continued impacts of the Leisure businesses on the overall performance of the Group. The staggered payments were reflective of the cognisance of the Board of the potential for an uncertain business environment due to the pandemic, although improved business performance paved the way to continue with the declaration of dividends as witnessed.

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates the key components of the Corporate Governance System of the John Keells Group. It depicts the internal governance structure, from the Board of Directors cascading down to employee level, the integrated governance systems and procedures within the Group, the Assurance Mechanisms in place and the various regulatory frameworks the Group is compliant with from a Governance standpoint.

A detailed discussion of each of the below components is found on the corporate website: ***www.keells.com/governance***



- *All 5 Board Sub-Committees are chaired by Independent Directors appointed by the Board.*
- *The Chairman-CEO is present at all Human Resources and Compensation Committee meetings unless the Chairman-CEO's performance assessment or remuneration is under discussion. The Deputy Chairman/Group Finance Director is invited as necessary.*
- *Audit Committee meetings are attended by the Chairman-CEO and the Deputy Chairman/Group Finance Director. The Head of Group Business Process Review, External Auditors and the Group Financial Controller are regular attendees.*
- *The GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.*
- *Due to space constraints only the key components are depicted in the diagrams.*

CORPORATE GOVERNANCE COMMENTARY

BOARD OF DIRECTORS

Board Composition

As at 24 May 2021, the Board comprised of 7 Directors, with 5 of them being Non-Executive Independent Directors.

Profiles of Board of Directors

KRISHAN BALENDRA

Chairman N P ED

Krishan Balendra is the Chairman of John Keells Holdings PLC. He is a Director of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

GIHAN COORAY

Deputy Chairman / Group Finance Director P ED

Gihan Cooray is the Deputy Chairman/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology function and John Keells Research. He is the Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

AMAL CABRAAL

Non-Executive Director A H R

Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, CIC Feeds Group and Silvermill Investment Holdings (Private) Limited. He is a former Chairman and CEO of Unilever Sri Lanka and has over 4 decades of business experience in general management, marketing and sales in Sri Lanka and overseas. He is also the Vice-Chairman of Sunshine Holdings PLC, a Non-Executive Director of Hatton National Bank and a business advisor to a number of leading companies. He is a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society. A Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK, he holds an MBA from the University of Colombo and is an executive education alumnus of INSEAD-France.

NIHAL FONSEKA

Non-Executive Director A R SID

Nihal Fonseka is a career banker and served as the Chief Executive Officer Director of DFCC Bank from 2000 until his retirement in 2013. He is currently a Chairman of Phoenix Industries Limited, Non-Executive Director and Chairman of the Investment Committee of Phoenix Ventures Limited and Non-Executive Director and Chairman of the Group Audit Committee of Brandix Lanka Limited. He was a member of the Monetary Board of the Central Bank of Sri Lanka from 2016 to 2020 and from 2011 until recently the President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK . Prior to joining the DFCC Bank, he was the Deputy Chief Executive of HSBC Sri Lanka. He is a past Chairman of the Colombo Stock Exchange and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He has also served as a Director of the Employees' Trust Fund Board and as a member of the Presidential Commission on Taxation (2009), National Procurement Commission and Strategic Enterprise Management Agency (SEMA). He holds a B.Sc from the University of Ceylon, Colombo, is a Fellow of the Institute of Financial Studies, (FIB) UK and is a Honorary Fellow of the Chartered Institute of Securities and Investments, FCSI (Hon), UK.

ASHROFF OMAR

Non-Executive Director H N

Group Chief Executive Officer of Brandix Apparel Limited, Ashroff Omar, has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. Ashroff spearheads a company that comprises of manufacturing and product development facilities, offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele. He is also credited with pioneering environmentally friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka Apparel industry.

PREMILA PERERA

Non-Executive Director A N P R

Premila Perera was appointed to the Board of the Company with effect from 1 July 2014 as an Independent Non-Executive Director. Premila Perera, formerly a Partner, KPMG in Sri Lanka, also served as the Global Firms Regional Tax Director for ASPAC in 2000/01, as a member of the Global Task force commissioned in 1998, to advise the International Board of KPMG on future directions in determining long-term strategic plans, and faculty of the KPMG International Tax Business School. She also served a period of secondment with the US Firm's National Tax Office in Washington DC, and was a participant at the KPMG-INSEAD International Banking School programme. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka. She served as an Independent Director and Chairperson of the Audit and Related Party Transaction Committees of Ceylon Tobacco Company PLC until October 2017 and as a Non-Executive Director of Holcim (Lanka) Limited until August 2016.

DR. HANS WIJAYASURIYA

Non-Executive Director H N P

In his role as the Chief Executive Officer – Telecommunications Business, Dr. Hans Wijayasuriya heads the pan-region Telecommunications Operations of the Axiata Group Bhd., spanning the markets of Malaysia, Indonesia, Bangladesh, Nepal, Sri Lanka and Cambodia. Axiata is Asia's second largest Telecommunications Group. Up to the year 2016, Dr. Wijayasuriya functioned as the Group Chief Executive of Dialog Axiata PLC (Dialog), Sri Lanka's leading multi-play connectivity provider, and one of the highest valued companies on the Colombo Stock Exchange. In the year 2016, Dr. Wijayasuriya was honoured by the GSM Association as the first recipient of the 'Outstanding Contribution to the Asian Mobile Industry' Award. Dr. Wijayasuriya is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association. He was also named 'Sri Lankan of the Year' by Sri Lanka's premier business journal, LMD in 2008. Dr. Wijayasuriya is currently the Chairman of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber. During the period 2012-14, Dr. Wijayasuriya also functioned as the founding CEO of Axiata Digital Services – the Group-wide Digital Services Business of the Axiata Group. Dr Wijayasuriya is an alumnus of the University of Cambridge UK, and obtained his PhD from the University of Bristol UK. A Chartered Engineer and Fellow of the Institute of Engineering Technology UK, Dr. Wijayasuriya also holds an MBA from the University of Warwick.

Board Sub-Committees

- A Audit Committee
- H Human Resources and Compensation Committee
- N Nominations Committee
- P Project Risk Assessment Committee
- R Related Party Transactions Review Committee
- ED Refer Group Directory for directorships held by Executive Directors in other Group companies
- SID Senior Independent Director

Managing Conflicts of Interests and Ensuring Independence

The Group takes necessary steps to ensure that Directors avoid situations in which they have, or could have, a direct or indirect interest which conflicts with, or might possibly conflict with, the interests of the Group.

In order to avoid such potential conflicts or biases, the Directors make a general disclosure of interests, as illustrated below, at appointment, at the beginning of every financial year and during the year as required. Such potential conflicts are reviewed by the Board from time to time to ensure the integrity of the Board's independence. Details of companies in which Board members hold Board or Board Committee membership are available with the Company Secretary for inspection by shareholders, on request.

Prior to Appointment

- Nominees are requested to make known their various interests.

Once Appointed

Directors obtain Board clearance prior to:

- Accepting a new position.
- Engaging in any transaction that could create or potentially create a conflict of interest.

All NEDs are required to notify the Chairman-CEO of any changes to their current Board representations or interests and a new declaration is made annually.

During Board Meetings

Directors who have an interest in a matter under discussion:

- Excuse themselves from deliberations on the subject matter.
- Abstain from voting on the subject matter (abstentation from decisions is duly minuted).

The independence of all its Non-Executive Directors was reviewed on the basis of criteria summarised below:

Criteria for Defining Independence	Status of Conformity of NEDs
Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs' or NED/IDs' shareholdings exceed 1 per cent.
Director of another company*	None of the NED/IDs are Directors of another related party company, as defined.
Income/non-cash benefit equivalent to 20 per cent of the Director's income	NED/ID income/cash benefits are less than 20 per cent of an individual Director's income.
Employment at JKH and/or material business relationship with JKH, currently or in the two years immediately preceding appointment as Director	None of the NED/IDs are employed or have been employed at JKH.
Close family member is a Director, CEO or a Key Management Personnel	No family member of the EDs or NED/IDs is a Director or CEO of a related party company.
Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED has served on the Board for more than nine years.
Is employed, has a material business relationship and/or significant shareholding in other companies*. Entails other companies that have significant shareholding in JKH and/or JKH has a business connection with	None of the NED/IDs are employed, have a material business relationship or a significant shareholding of another related party company as defined.

* *Other companies in which a majority of the other Directors of the listed company are employed, or are Directors or have a significant shareholding or have a material business relationship.*

No Non-Executive Independent Director has a conflict of interest as per the criteria for independence outlined above.

CORPORATE GOVERNANCE COMMENTARY

Board Meetings

During the financial year under review, there were 9 Board meetings. All pre-scheduled Board meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise. Considering the unprecedented impacts of the pandemic on Group businesses, the Board met more frequently than usual to discuss matters in a timely manner given the volatile and dynamic situation, enabling greater deliberation and prompt decision-making required in these circumstances.

The attendance at the Board meetings held during the financial year 2020/21 is given below:

Name	6/Apr/20*	14/May/20	21/May/20	29/July/20	7/Sep/20	30/Sep/20	5/Nov/20	27/Jan/21	26/Feb/21	Eligibility	Attended
K Balendra	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
G Cooray	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
N Fonseka	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
A Cabraal	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
P Perera	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
H Wijayasuriya	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9
A Omar	✓	✓	✓	✓	✓	✓	✓	✓	✓	9	9

**Supplemental Extraordinary Board meeting to the Extraordinary Board meeting held on 31 March 2020, to discuss the impacts and action plan for the Group on the back of the COVID-19 pandemic.*

Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The five Board Sub-Committees are as follows:

i. Audit Committee

ii. Human Resources and Compensation Committee

iii. Nominations Committee

iv. Related Party Transactions Review Committee

v. Project Risk Assessment Committee

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors. The membership of the five Board Sub-Committees is as follows;

Board Sub-Committee membership as at 31 March 2021	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transactions Review Committee	Project Risk Assessment Committee
Executive					
K Balendra – Chairman-CEO			Member		Member
G Cooray – Deputy Chairman/Group Finance Director					Member
Senior Independent Non-Executive					
N Fonseka	Chair			Member	
Independent Non-Executive					
A Cabraal	Member	Chair		Member	
A Omar		Member	Chair		
P Perera	Member		Member	Chair	Member
H Wijayasuriya		Member	Member		Chair

■ Committee Member
■ Committee Chair

Audit Committee

No of meetings - 06

COMPOSITION

- All members to be Non-Executive, Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification.
- The Chairman-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
- The Head of the Group Business Process Review division is the Secretary of the Committee.

SCOPE

- Review the quarterly and annual financial statements, including quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.
- Assess the adequacy and effectiveness of the internal control environment in the Group and ensure appropriate action is taken on the recommendation of the internal auditors.
- Evaluate the competence and effectiveness of the risk management systems of the Group and ensure robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of internal audit arrangements.
- Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group, compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and, the adequacy and performance of the Internal Audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without prejudicing the independence of those Committees. However, to the extent, and in a manner, it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and Meetings

The members of the Audit Committee are the undersigned and the following Independent Non-Executive Directors:

A Cabraal
P Perera

The Head of the Group BPR division served as the Secretary to the Audit Committee.

The Audit Committee met six times during the financial year. The Chairman-CEO, the Deputy Chairman/Group Finance Director, Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The Internal Auditors carrying out outsourced assignments and relevant executives of the Company and the Group also attended these meetings on a needs basis. The Committee engaged with management to review key risks faced by the Group as a whole and the main sectors with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly and annual financial statements with management and the External Auditors prior to publication. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and Management, any matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The External Auditors were also engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2020. The results of this review were discussed with the External Auditors and management.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that any necessary preparatory work was carried out, to enable the Company to comply with these new standards.

Internal Audit, Risks and Controls

The Committee reviewed the adequacy of the Internal Audit coverage for the Group and the Internal Audit Plans for the Group with the Head of the Group BPR division and Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the overarching direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the outsourced Internal Auditors on the operations of the Company and some of the unquoted subsidiaries of the Company were also reviewed by the Committee. Follow-up action taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR.

In the context of enhanced health and safety measures, remote working arrangements and a higher level of digital transactions that became necessary during the year under review due to the COVID-19 pandemic, the Committee paid special attention to the risk mitigation measures introduced by management and obtained management assurances in this regard.

The Group BPR division, drawing from the growing benefits of assurance related inputs provided by the digital forensic capability that is operational across the entire Group, has extended the scope of the project to include measures to optimise internal process efficiencies and behavioural responses with a view to enhancing operational controls and supporting governance reporting.

The Group BPR division has institutionalised a multi-pronged approach to Internal Audits and process reviews, to foster synergy, collaboration efficiencies between components that deliver governance and assurance and related services, whilst focusing on continuous improvement through rigorous alignment of process, technology, and people, in optimising the interplay between related components, invoked to handle transactional events for better outcomes.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that for the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise.

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes were effected where considered necessary.

External Audit

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an ongoing basis regarding matters of significance that were pending resolution. Before the conclusion of the Audit, the Committee met with the External Auditors and management to discuss all audit issues and to agree on their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with management were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and Group financial statements for the year 2020/2021 were discussed with management and the auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation Auditor of the Group for the financial year ending 31 March 2022, subject to approval by the shareholders at the Annual General Meeting.

N Fonseka
Chairman of the Audit Committee

24 May 2021

Human Resources and Compensation Committee

No of meetings - 01

COMPOSITION

- Committee to comprise exclusively of Non-Executive Directors, a majority of whom shall be independent.
- The Chairman of the Committee must be Non-Executive Director.
- The Chairman-CEO and Group Finance Director are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively.
- The Deputy Chairman/Group Finance Director is the Secretary of the Committee.

SCOPE

- Review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans for the Group.
- Determine and agree with the Board a framework for the remuneration of the Chairman and Executive Directors based on performance targets, benchmark principles, performance related pay schemes, industry trends and past remuneration.
- Succession planning of Key Management Personnel.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

Report of the Human Resources and Compensation Committee

The Committee determined the remuneration of the Executive Directors including the Chairman-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) were considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

A report from the Chairman of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairman of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

In light of the COVID-19 impact on the businesses and its people, the Group developed and implemented a Working Arrangement Protocol which set out the working practices to be followed by Group employees in terms of maintaining their health and safety. The Group also implemented a new Agile Working Policy, with the identification of agile roles across all sectors. To mitigate the financial impact of the pandemic on the Group, the employees and the members of the GEC were subject to salary reductions for a limited period of time.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short-term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.

A. Cabraal

A Cabraal
Chairman of the Human Resources and Compensation Committee

20 May 2021

As noted earlier, considering the unprecedented impacts of the pandemic on Group businesses, the Board met more frequently than usual to discuss matters in a timely manner given the volatile and dynamic situation, enabling greater deliberation and prompt decision-making required in these circumstances. Most discussions under the purview of the Human Resources and Compensation Committee Sub-Committee were also deliberated at a Board level.

Director Remuneration

Executive Director Remuneration

The Human Resources and Compensation Committee is responsible for determining the compensation of the Chairman-CEO and the Deputy Chairman/Group Finance Director, both Executive Directors of the Group. The Human Resources and Compensation Committee operates in conformity with applicable rules and regulations.

A significant proportion of Executive Director remuneration is variable. The variability is linked to the peer adjusted consolidated Group bottom line and expected returns on shareholder funds. Further, the Human Resources and Compensation Committee consults the Chairman-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairman-CEO.

During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees

Excluding ESOPs granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.104 million [2019/20: Rs.119 million] of which Rs.45 million [2019/20: Rs.39 million] was the variable portion linked to the performance benchmark as described above and Rs.59 million [2019/20: Rs.80 million] was the fixed remuneration.

Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

Total aggregate of Non-Executive Director remuneration for the year was Rs.11 million [2019/20: Rs.18 million].

CORPORATE GOVERNANCE COMMENTARY

Nominations Committee

No of meetings - 02

COMPOSITION

- Majority of the members of the Committee shall be Non-Executive Directors together with the Chairman-CEO.
- The Chairman of the Committee must be an Independent Non-Executive Director.
- The Secretary to the Board is the Secretary of the Committee.

SCOPE

- Assess the skills required on the Board given the needs of the businesses.
- From time to time assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for a particular appointment.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clear expectations in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of the Chairperson and Executive Directors is a collective decision of the Board.

Related Party Transactions Review Committee

No of meetings - 04

COMPOSITION

- The Chairman must be a Non-Executive Director.
- May include at least one Executive Director.

SCOPE

- The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- Develop and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies.

Report of the Nominations Committee

The Nominations Committee as at 31 March 2021, consisted of the following:

A Omar (Chairman)
K Balendra
P Perera
H Wijayasuriya

The self-review of the mandate of the Committee reaffirmed that it exists to:

- Recommend to the Board the process of selecting the Chairman and Deputy Chairman.
- Identify suitable persons who could be considered for appointment to the Board of JKH PLC and other Listed Companies in the Group, as Non-Executive Directors.
- Make recommendation on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to approval obtained from the Committee:

Ceylon Cold Stores PLC:
- Mr. Kaminda Charitha Subasinghe
- Ms. Nelindra Fernando

Keells Food Products PLC:
- Ms. Nelindra Fernando

John Keells PLC:
- Mr. Ahamed Zafir Hashim
- Ms. Kamani Devika Weerasinghe

Tea Smallholder Factories PLC:
- Mr. Ahamed Zafir Hashim

Trans Asia Hotels PLC:
- Mr. Suresh Rajendra
- Mr. Changa Lashantha Poojitha Gunawardane

Asian Hotels and Properties PLC:
- Mr. Changa Lashantha Poojitha Gunawardane

John Keells Hotels PLC:
- Mr. Suresh Rajendra
- Mr. Mikael Roland Svensson

Union Assurance PLC:
- Mr. Daminda Prabhath Gamlath
- Mr. Warnage Malinga De Fonseka Arsakularatne

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs. Further, the Committee discusses with the Board the outputs of the Annual JKH Board Evaluation.

A Omar
Chairman of the Nominations Committee

20 May 2021

Report of the Related Party Transactions Review Committee

The following Directors served as members of the Committee during the financial year:

P Perera (Chairperson)
A Cabraal
N Fonseka

The Chairman, Deputy Chairman/Group Finance Director, and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practice as recommended by the Institute of Chartered Accountants of Sri Lanka.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'the Code' and Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC. Recurrent RPTs were reviewed annually by the Committee. Furthermore, guidelines were introduced to facilitate requisite disclosures and assurances by senior management of the aforementioned listed companies, in relation to Recurrent RPTs so as to validate compliance with sec 9.5(a) of the listing rules and thus exclusion from review and pre-approval by the Committee.

Other significant transactions of non-listed subsidiaries were also presented to the Committee for information.

In addition to the Directors, all Presidents, Executive Vice Presidents, Chief Executive Officers, Chief Financial Officers and Financial Controllers of respective companies/sectors have been designated as KMPs in order to increase transparency and enhance good governance. Annual disclosures from all KMPs setting out any RPTs they were associated with, if any, were obtained and reviewed by the Committee.

The Committee held four meetings during the financial year. Information on the attendance at these meetings by the members of the Committee is given alongside. The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.

P Perera
Chairperson of the Related Party Transactions Review Committee

20 May 2021

Project Risk Assessment Committee

COMPOSITION

- Should comprise of a minimum of four Directors.
- Must include the Chairman-CEO and Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairman must be a Non-Executive Director.

SCOPE

- Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated.
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision.
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director.
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation.

Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

Report of the Project Risk Assessment Committee

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairman)
K Balendra
G Cooray
P Perera

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large-scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

During the year under review, given the unprecedented impact of the COVID-19 pandemic on Group businesses, the Board met more frequently than usual. The increased frequency of board meetings provided the opportunity for discussions related to investments and risk assessments to be conducted within Board Meeting agendas. As such, the Committee did not have a requirement to convene separately, during the year under review.

H Wijayasuriya
Chairman of the Project Risk Assessment Committee

20 May 2021

OUTLOOK AND EMERGING CHALLENGES

The need for maintaining a well-grounded corporate governance framework has become vital in operating in an environment of dynamic corporate change and global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate fair-mindedness and creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting these evolving external challenges.

In the wake of corporate disintegrations, the pursuit of continuous improvement in governance, emphasis on environmental and social considerations and a call for increased accountability and transparency continue to influence and shape the role of board governance aspects. The primary areas of focus and challenges, amongst many others, being recurrently addressed by JKH are detailed in the ensuing section.

Board Diversity

JKH acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect the values and requirements of its businesses and vision. Whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve a Board's understanding of its vast pool of stakeholders, providing diverse connections with the external environment and aiding the Group in addressing stakeholders' claims in a more responsive manner, JKH is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics and backgrounds.

In furtherance of this initiatives, and to amplify the Group's emphasis on creating an inclusive, diverse and equitable work environment, headway was made on the gender diversity front, with four women being appointed to the different Boards across Group companies during the year under review.

Board Independence

There is increased emphasis on board independence by stakeholders, stock exchanges and regulatory bodies worldwide. In order for a Board to be effective, JKH is of the view that companies must take steps, both in their structures and in their nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest which may arise.

The criteria for defining independence of boards vary significantly across countries. JKH is of the view that the intended vision of achieving improved governance and higher independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive board evaluation processes and independent director led engagement. To this end, JKH will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

Further to the public consultation in 2019, the Securities and Exchange Commission of Sri Lanka (SEC) published a new public consultation in April 2021 seeking views to strengthen corporate governance rules of listed entities. This entailed, amongst others, a proposal to segregate the roles of the Chairperson and CEO being performed by the same person. The SEC has indicated that any measures towards the segregation of roles will only be taken post detailed discussion and broad consensus amongst the relevant stakeholders. The Group is of the view that the segregation of the roles of Chairman and CEO should be a voluntary compliance requirement, especially if concerns associated with the combined role are counter-balanced by increased independence and transparency vis-à-vis appointment of a senior independent director, having a majority of independent directors, inclusion of an independent director led committee for director nominations and a well-defined process for the appointment of directors. Studies have not clearly proven that segregation of the roles lead to better performance or governance, particularly if the counterbalances stated before are in place. Another key aspect which needs to be considered is the local context and an understanding of the operating models and corporate structures when implementing such changes. JKH, being a diversified conglomerate, has complexities which require a multi-faceted understanding of each of its businesses which ideally requires an executive role.

To amplify the Group's emphasis on creating an inclusive, diverse and equitable work environment, headway was made on the gender diversity front, with four women being appointed to the different Boards across Group companies during the year under review.

Increasing Emphasis on Environmental, Social and Governance (ESG) Aspects

ESG analysis and investing continue to gain traction amongst Governments, investment professionals and high net worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, harm human rights and foster corruption and bribery, among others, and disintegrate the corporate in the long-term. The unprecedented nature of the COVID-19 pandemic and its impacts globally, have accelerated and intensified such discussions on the interlinkages between sustainability considerations and financial performance.

JKH is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. Initiatives such as the launch of Sustainability Goals 2025, roll out of the Gender Policy and strengthening of internal controls are implemented with a view of ensuring a strong ESG framework. The Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continuous strengthening of internal controls through a streamlined process that optimises and facilitates process audit information, life cycle management and related processes are expected to:

- eliminate inefficiencies inherent in manual processes.
- provide a platform based on process enforcement.
- enable management follow-up based on centrally held data in a compliance repository.
- identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.

Digital Oversight and Cyber Security

The rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, augured well for the Group, particularly given restrictions in movement and social distancing measures in light of the COVID-19 pandemic. The Group witnessed an acceleration of digitisation and better user adoption. Despite this, adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group.

Given the emergence of regulations such as European Union General Data Protection Regulation (GDPR) and the proposed Sri Lankan data protection legislation, data security, integrity and information management will be pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

Greater Employee Involvement in Governance

Whilst all necessary compliance and assurance frameworks are believed to be in place, JKH recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. JKH will continue to encourage greater employee participation through:

- a further strengthened continuous performance management process, which envisages continuous feedback and enhanced engagement via the newly implemented employee information systems.
- engagement and empowerment via greater delegation of authority.
- increased communication and collaboration.
- adoption of differentiated means of communication based on the age dynamics of employee segments.

JKH is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms.

CORPORATE GOVERNANCE COMMENTARY

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity	Yes	Corporate Governance Commentary
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	Share Information
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement	Yes	
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Yes	
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk, Opportunities and Internal Controls
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Sustainability Integration, Stakeholder Engagement and Materiality
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	Share Information
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	
(xi)	Financial ratios and market price information	Yes	
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Share Information
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary/Note 44 of the Notes to the Financial Statements
(xvi)	Related Party transactions exceeding 10 per cent of the equity or 5 per cent of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1 Non-Executive Directors (NED)			
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 7 Board members are NEDs. The Group is conscious of the need to maintain an appropriate mix of skills and experience on the Board and to refresh progressively its composition over time.

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
7.10.2 Independent Directors			
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Yes	All NEDs are Independent.
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and the 5 Independent NEDs have submitted signed confirmation of their independence.
7.10.3 Disclosures relating to Directors			
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence.
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Yes	Corporate Governance Commentary
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Detailed resumes of the new Independent NEDs appointed during the financial year were submitted to the CSE. It is noted that there was an appointment to the Board, during the year under review.
7.10.4 Criteria for defining independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance Commentary
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.
c.1	Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report.
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section.
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section.
7.10.6 Audit Committee			
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is an Independent NED.
a.3	CEO and CFO should attend AC meetings	Yes	The Chairman-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation.
a.4	The Chairman of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairman of the AC is a member of a recognised professional accounting body.
b.	Functions of the AC	Yes	The AC carries out all the functions prescribed in this section.
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies

CORPORATE GOVERNANCE COMMENTARY

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
b.3	Overseeing the process to ensure the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management.
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The AC assesses the external auditor's performance, qualifications and independence.
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for recommending the appointment, re-appointment, removal of External Auditors and also providing recommendations on the remuneration and terms of Engagement.
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer Board Committees section.
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Report of the Audit Committee.
c.3	Report on the manner in which Audit Committee carried out its functions.	Yes	Refer Report of the Audit Committee.

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(b)	Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee.
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Group Directory
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Directory
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

The following section provides an overview of the Group's approach and framework towards sustainable development and long-term value creation.

In striving to achieve a balance between detailing its Sustainability efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section which follows discusses the key highlights for the year under review, the Corporate Website contains a detailed discussion of Sustainability Integration and Stakeholder Engagement.

SUSTAINABILITY INTEGRATION

Our Approach

The Group has, over the years, made it a priority to ensure that sustainable practices are embedded into all operations, recognising that social responsibility and environmental stewardship are inseparable from its financial objectives.

The Group's sustainability approach is based on four strategic pillars.

Economic
Ethical business, Economic Value Added and Employment creation

Environment
Environmental stewardship and responsibility

People
Caring for our employees and providing a safe and diverse workplace

Social
Creating mutually beneficial relationships and positive impacts

- Framework
- Policies
- Processes
- Technology

GROUP SUSTAINABILITY POLICY

The Group's Sustainability Policy describes its sustainability priorities, expectations and lays the foundation on which the Group's management framework is developed and implemented. This incorporates a holistic approach encompassing the environment, its workforce and society under a framework of operating in line with the highest standards of governance, compliance and corporate best practice. Coupled with transparent and open communications with stakeholders, the Group sustainability policy positions the Group to achieve long-term value creation.

The Group's Sustainability policy can be found on the Corporate Website.

Sustainability Integration

Refer the Governance section on the Corporate Website for a detailed discussion on the Group's sustainability management framework, sustainability integration process and sustainability organisational structure.

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

Sustainability Disclosures

- A brief discussion of the standards, principles, information verification and assurance is included in the Introduction to the Report section of this report while a detailed discussion is found under the Governance section on the Corporate Website.
- Details of measurement techniques, methodologies, assumptions and estimations are included in the relevant 'Disclosures of Management Approach' section and can be found online at www.keells.com/sustainability-and-csr.
- Reference to specific information and disclosures required by the GRI Standards can be found through the GRI context index.

Engagement of Significant Stakeholders

The Group defines significant stakeholders as those who have significant influence over or who are significantly affected by the Group's operations. Numerous platforms have been established for the continuous dialogue with the Group's stakeholders and the following table summarises the frequencies of engagement with significant stakeholders:

	Frequency						
Stakeholder	**Annually**	**Bi-annually**	**Quarterly**	**Ongoing**	**Monthly**	**One-off**	**Regularly**
Customers	■	■	■	■			
Employees	■	■		■			■
Community				■	■	■	
Institutional investors, fund managers, analysts, multilateral lenders	■		■	■			■
Government, Government institutions and departments			■	■			
Legal and regulatory bodies			■	■			
Business partners, principals, suppliers	■		■	■			■
Society, media, pressure groups, NGOs, environmental groups				■			
Industry peers and competition			■				■

For details on expectations of significant stakeholders and methods of engagement used by the Group, please refer the Governance section on the Corporate Website.

KEY SUSTAINABILITY CONCERNS

Building on the foundations of the most recent quantitative and qualitative stakeholder engagements, the Group continuously monitors key channels of communication to ascertain key concerns of stakeholders and ensure its policies and processes prioritise issues material to these groups.

This year, challenges raised by the ongoing COVID-19 pandemic have highlighted sustainability concerns specifically related to health and safety, product quality and responsiveness, areas that the Group has tackled through stringent health and safety and sanitisation practices for its employees, supply chain, customers, as well as through responsiveness to customer demands alongside new and rapidly changing requirements of stakeholders. In addition, the Group has strived to ensure that its focus on its supply chain and community-based engagements continued despite difficulties due to the pandemic.

Refer the Governance section on the Corporate Website for a detailed discussion on key sustainability concerns.

The Group has made it a priority to ensure that sustainable practices are embedded into all operations.

SCOPE & BOUNDARY

87 legal entities of the John Keells Group create the financial reporting boundary of the Annual Report 2021/21 of which 48 companies have been listed in the Group Directory of the Annual Report as part of the sustainability reporting boundary. Within these, any other exclusions made have been clearly explained under the relevant sustainability topics. This year, 'Cinnamon Bentota Beach', 'Cinnamon Velifushi Maldives' and 15 new 'Keells' outlets were included in the reporting scope during the year under review.

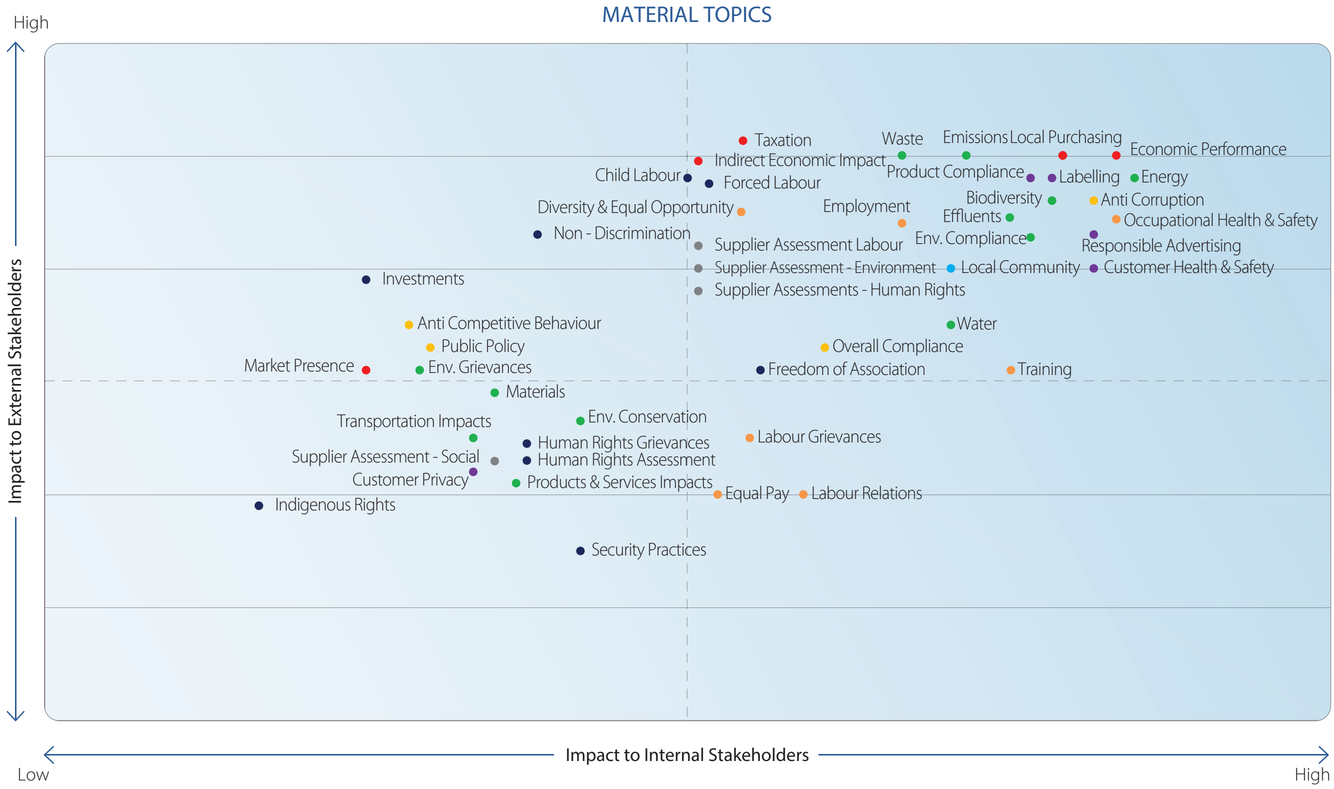
Refer the Governance section of the Corporate Website for further details on the report content, and any exclusions and changes to the reporting scope and boundary during the year.

Identification of Material Topics

The Group maps topics that of are concern to internal and external stakeholders to ascertain criticality and priority for focus and disclosure. This year did not see significant changes in the list of material topics and topic boundaries compared to previous reporting periods.

The Governance section of the Corporate Website details the material sustainability concerns of the Group's significant internal and external stakeholders.

In defining report content, the Group prioritises material impacts based on their relative importance to internal and external stakeholders which is summarised below.



A detailed description of the strategies and approach adopted by the Group in managing its material topics are contained in the management approach disclosures section hosted on the Group website
https://www.keells.com/resource/Management_Approach_Disclosures_2020_21.pdf

RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

Enterprise Risk Management within the Group is based on a holistic approach, with integrated processes incorporating good governance and sustainable development alongside effective risk management practices.

In furtherance of Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review, the Corporate Website entails a detailed discussion of the risk management processes and related initiatives.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group has in place an enterprise-wide risk management (ERM) framework to ensure a structured process of risk identification and mitigation. Risk management is embedded across the Group and aligned to the Group's corporate governance and sustainability frameworks.

Overview of Framework

- The ERM strategy is set at a Group level with a bottom up approach to risk identification.
- Ongoing review and analysis at business unit level, management committees and Board level.
- Financial, strategic, operational, information technology, governance and sustainability-related risks are considered and categorised within a common Risk Universe across Group businesses.
- All risks are rated and assigned to Risk Owners to ensure accountability and focus on mitigation activities.

Refer the Governance section on the Corporate Website for a discussion on the Risk Management Framework.

Key Risks	Rating
Macroeconomic and political environment	Ultra-High
Regulatory environment	High
Financial exposure	Low
Information technology	High
Global competition	Low
Human Resources and talent management	Low
Environment and Health & Safety	Low
Reputation and Brand Image	Low
Supply chain risk	Low

Ultra-High High Medium Low

The Governance section on the Corporate Website details, in depth, the justification for the above risk ratings along with the mitigation strategies being followed across the Group.

KEY HIGHLIGHTS DURING THE YEAR:

- The operational risks associated with the COVID-19 pandemic were reviewed on an ongoing basis at all business units.
- Operationalisation and continuous monitoring of business continuity and response plans at business unit level.
- All central risk reviews were conducted remotely, ensuring the uninterrupted continuity of such processes, despite limitations and travel restrictions imposed via Government and health authority guidelines.
- The Group hedged its exposure to interest rates by covering USD 100 million of the USD 175 million long-term financial facility from the International Finance Corporation (IFC) as a prudent measure.
- Whilst the risk rating in lieu of exchange rate exposure was upgraded to 'High', given the significant volatility of the Rupee during the year, the Group also adopted measures such as liability matching and mitigation of exposure through derivatives, where appropriate, proactively.

Risks Associated with COVID-19

The year in review compelled the Group to adapt to the 'new normal' as the unprecedented nature of the COVID-19 pandemic continued to impact the global and local economy.

The Group responded to this challenge through the adoption of an agile risk response given the evolving nature of the pandemic, and all businesses continued to monitor and revisit the 'pandemic' risk item on their respective risk registers to ensure that risk responses and mitigation actions were systematically assessed and updated to tackle volatile on-ground situations.

Alongside business continuity plans that were operationalised during the early days of the pandemic, businesses also developed and instituted COVID-19-specific response plans and teams to enable smooth and uninterrupted functioning of businesses and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations. Risk mitigation was facilitated through Group guidelines on workplace health and safety and 'work from home' guidelines, which was further formalised through the Agile Working Policy.

The Group rolled out various measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity, in particular. While the Group had a strong cash position and availability of banking facilities at the onset of the COVID-19 pandemic, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group. In June 2020, JKH entered into a ten-year financing agreement with IFC for USD 175 million to support funding of the Holding Company's investment pipeline, marking IFC's largest investment to date in Sri Lanka.

Given the higher incidence of remote working arrangements and the increased digitisation of supply chains, particularly in light of the pandemic, measures were taken to further strengthen the information technology governance and cyber security framework.

Refer the Group Consolidated Review and Industry Group Review sections of the Report for a detailed discussion on COVID-19, its impact on the Group and its businesses. The sections also detail the strategies rolled out to minimise the impact on Group operations, its continuity and sustainability.

ROBUST

FINANCIAL STATEMENTS

INDEX TO THE FINANCIAL STATEMENTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 42nd Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Management Discussion and Analysis including an Industry Group Review and all the other relevant information for the year ended 31 March 2021. Disclosures which appear in the Share Information section form a part of the Annual Report of the Board of Directors as it is a requirement of the Companies Act No. 07 of 2007.

Future Developments and Impact of COVID-19 Pandemic

Information on future developments and an assessment, to the extent possible, considering the current uncertainty relating to the COVID-19 pandemic, is contained in the Chairman's Message and Management Discussion and Analysis sections of this Annual Report. While the short term outlook can be impacted on account of COVID-19 related disruptions, the Report also contains a detailed discussion on the medium to long term outlook for the Group and the portfolio considerations related to the same.

Financial Statements

Financial Statements of the Company and Group for the year ended 31 March 2021, which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), with the inclusion of the signatures of the Chairman, Deputy Chairman/Group Finance Director and Group Financial Controller, are given as a part of this Integrated Annual Report.

John Keells Holdings PLC

For the year ended 31 March

In LKR '000s

	2021	2020
Profit after tax	10,565,887	8,639,540
Other adjustments	(2,135)	7,840
Balance brought forward from the previous year	59,631,436	54,280,016
Amount available for appropriation	70,195,188	62,927,396
interim dividends of LKR. 1.50 per share (2020-LKR. 3.50) paid out of dividend received	(1,978,317)	(3,295,960)
Final dividend declared LKR. 0.50 to be paid out of dividend received	(659,832)	-
Balance to be carried forward to the next year	67,557,039	59,631,436

Principal Activities

John Keells Holdings PLC (the Company), the Group's holding Company, manages a portfolio of holdings consisting of a range of diverse business operations, which, together, constitute the John Keells Group (the Group), and provides function-based services to its subsidiaries, joint ventures, and associates.

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes to the principal activities of the Company or its subsidiaries during the year.

Corporate Vision and Values

A culture of innovation, integrity, excellence, caring and trust has been developed within the Group. By being aligned with these values the Directors and employees conduct their activities to achieve the vision, "Building businesses that are leaders in the region".

Review of Business Segments

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the Management Discussion and Analysis section of the Annual Report. Significant changes to business combinations and acquisition of non-controlling interests are provided in Note 10 to the Financial Statements. These reports, together with the Audited Financial Statements, reflect the state of affairs of the Company and the Group. The Segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 8 to the Financial Statements.

Financial Results and Appropriations

Accounting Policies

All the significant accounting policies adopted by the Company and Group are mentioned in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review. For all periods up to and including the year ended 31 March 2021, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Revenue

Revenue generated by the Company amounted to LKR. 1,637 Mn (2020– LKR. 1,462 Mn), whilst Group revenue amounted to LKR. 127,676 Mn (2020 – LKR. 138,956 Mn). Contribution to Group revenue, from the different business segments, is provided in Note 8 to the Financial Statements.

Profit and Appropriations

The profit after tax of the Company was LKR. 10,566 Mn (2020 – LKR. 8,640 Mn) whilst the Group profit attributable to equity holders of the parent for the year was LKR. 4,772 Mn (2020 - LKR. 9,414 Mn).

The Company's total comprehensive income net of tax was LKR. 11,296 Mn (2020 - LKR. 8,662 Mn), and the Group total comprehensive income attributable to parent was LKR. 10,761 Mn (2020 - LKR. 16,581 Mn). The Group profitability was impacted primarily due to the performance of the Leisure industry group on account of the COVID-19 pandemic as discussed elsewhere in the Annual Report.

Dividend and Reserves

As required by Section 56(2) of the Companies Act No 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No 7 of 2007, and has obtained certificates from the auditors, prior to declaring all dividends. A final dividend will be paid on or before 25 June 2021 to those shareholders on the register as of 4 June 2021.

Capital Expenditure

The Company's and Group's capital expenditure on property, plant and equipment amounted to LKR. 9 Mn (2020 - LKR. 24 Mn) and LKR. 5,367 Mn (2020 - LKR. 15,212 Mn), respectively, and all other related information and movements have been disclosed in Note 22 to the Financial Statements.

Additions of intangible assets of the Company and Group during the year amounted to LKR. 26 Mn (2020 - LKR. 34 Mn) and LKR. 2,187 Mn (2020 - LKR. 387 Mn), respectively, and all other related movements are disclosed in Note 25 to the Financial Statements.

Valuation of Land, Buildings, and Investment Properties

All land and buildings owned by Group companies were revalued as at 31 December 2020 and the carrying value amounted to LKR. 90,642 Mn (2020 - LKR. 87,185 Mn). All information related to revaluation is given in Note 22.3 to the Financial Statements.

Investment properties of business units, when significantly occupied by Group companies, are classified as property, plant and equipment in the consolidated financial statements in compliance with LKAS 40.

The Group revalued all its investment properties as at 31 December 2020, and the carrying value amounted to LKR. 14,868 Mn (2020- LKR. 15,008 Mn). All information related to the revaluation of investment properties is provided in Note 24 to the Financial Statements.

Details of the Group's real estate as at 31 March 2021, are disclosed in the Group Real Estate Portfolio in the Supplementary Information section of the Annual Report.

Investments

A detailed description of the long term investments held as at the reporting date, is given in Notes 26, 27 and 28 to the Financial Statements.

Stated Capital

Stated Capital as at 31 March 2021 for the Company amounted to LKR. 63,102 Mn (2020 - LKR. 62,881 Mn). The movement and composition of the Stated Capital is disclosed in the Statement of Changes in Equity and in Note 34.1 to the Financial Statements.

Revenue Reserves

Revenue reserves as at 31 March 2021 for the Company and Group amounted to LKR. 68,217 Mn (2020 - LKR. 59,631 Mn) and LKR. 90,652 Mn (2020 - LKR. 87,885 Mn), respectively. The movement of the revenue reserve is disclosed in the Statement of Changes in Equity.

Share Information

The distribution and composition of shareholders and information relating to earnings, dividends, net assets, market value per share and share trading is given in the Share Information section of the Annual Report. As additional disclosures, the Company's Board of Directors' (including their close family members) shareholdings, options available under the employee share option plans (ESOP) as at 31 March 2021, market capitalisation, public holding percentage and number of public shareholders are given in the Share Information section of the Annual Report.

Major Shareholders

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Share Information section of the Annual Report.

Equitable Treatment of Shareholders

The Company has at all times ensured that all shareholders are treated equitably.

The Board of Directors

The Board of Directors of the Company as at 31 March 2021 and their brief profiles are given in the Corporate Governance section of the Annual Report.

Retirement and Re-Election of Directors

Retirement and Re-Election of Directors of the Company as at 31 March 2021 are given in the Proxy Form.

Review of the Performance of the Board

The performance of the board has been appraised through a formalised process, where each individual Director anonymously comments on the effectiveness and the dynamics of the Board. The process is described in the Corporate Governance Commentary section of the Annual Report.

Board Committees

Information relating to members of the Audit Committee, Human Resources and Compensation Committee, Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee, including reports of each of the committees, where applicable, and attendance of Directors for each of the committee meetings, are disclosed in the Corporate Governance Commentary section of the Annual Report.

Interests Register and Interests in Contracts

The Company has maintained an Interests Register as required under the Companies Act No 7 of 2007.

This Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies and have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

The Directors have all made a general disclosure relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any Director. The Interest Register is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

Share Dealings

Other than for the following entries, particulars of the Company interest register are disclosed in the Share Information section of the Annual Report. .

John Keells Holdings PLC

- Sam Innovators (Pvt) Ltd (Related party of M A Omar) Purchase 681,000 shares
- Phoenix Ventures (Pvt) Ltd (Related party of M A Omar and A N Fonseka) Purchase 2,975,000 shares

Given below are the particulars of share dealings of subsidiaries reported, for subsidiaries which are public companies, or private companies, which have not dispensed with the requirement to maintain an interest register for the period from 1 April 2020 to 31 March 2021.

Ceylon Cold Stores PLC

- S T Ratwatte - Sale of 1,000 shares

Union Assurance PLC

- J. P. Gomes – Purchase 500 shares

Indemnities and Remuneration

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2020 to 31 March 2021 comprising of;

- A short term variable incentive based on the individual performance, organisation performance and role responsibility based on the results of the financial year 2019/2020, and

- A long term incentive plan including employee share options in John Keells Holdings PLC.

John Keells Holdings PLC

- K N J Balendra
- J G A Cooray

Asian Hotels and Properties PLC

- S Rajendra

  S Rajendra became a Non-Executive Director with effect from 1 January 2021 at the standard Non-Executive fees approved by the Board for Non-Executive Directors (if applicable) which fees are commensurate with the market complexities associated with the John Keells Group.

Ceylon Cold Stores PLC

- D P Gamlath
- P N Fernando (Appointed w.e.f 1 January 2021)

Cinnamon Hotel Management Ltd

- J R Gunaratne (Retired w.e.f 31 December 2020)

- J E P Kehelpannala
- M H Singhawansa

Walkers Tours Ltd

- I N Amaratunga

All approvals relating to indemnities and remuneration have been recommended by the Human Resources and Compensation Committee, taking into consideration inputs from market surveys, expert opinions and the specific management complexities associated with the John Keells Group and in keeping with the Group remuneration policy.

The contracts and standard director fees of the following Non-Executive Directors have been approved / renewed by the Board. The director fees are commensurate with the market complexities associated with the John Keells Group.

Asian Hotels and Properties PLC

- C L P Gunawardane (Appointed w.e.f 1 January 2021)

Ceylon Cold Stores PLC

- K C Subasinghe (Appointed w.e.f 1 January 2021)

John Keells PLC

- A Z Hashim (Appointed w.e.f 1 January 2021)
- K D Weerasinghe (Appointed w.e.f 1 January 2021)

John Keells Hotels PLC

- S Rajendra (Appointed w.e.f 1 January 2021)
- M R Svensson (Appointed w.e.f 1 January 2021)

Keells Food Products PLC

- P N Fernando (Appointed w.e.f 1 January 2021)

Tea Smallholders Factories PLC

- A Goonetilleke (Appointed w.e.f 7 July 2020)
- A Z Hashim (Appointed w.e.f 1 January 2021)

Trans Asia Hotels PLC

- C L P Gunawardane (Appointed w.e.f 1 January 2021)
- S Rajendra (Appointed w.e.f 1 January 2021)

Union Assurance PLC

- D P Gamlath (Appointed w.e.f 10 June 2020)
- W. M. De F Arsakularatne (Appointed w.e.f 14 July 2020)

Walkers Tours Ltd

- C L P Gunawardane (Appointed w.e.f 1 January 2021)
- S Rajendra (Appointed w.e.f 1 January 2021)

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to the individual Directors concerned.

Directors' Remuneration

Details of the remuneration and other benefits received by the Directors are set out in Note 44.7 to the Financial Statements.

Related Party Transactions

The Company's transactions with Related Parties, given in Note 44 to the Financial Statements, have complied with the Listing Rule 9.3.2 of the Colombo Stock Exchange and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Employee Share Option Plan (ESOP)

At the beginning of the year, the employee share option plan consisted of the Eighth, Ninth and Tenth plans approved by the shareholders on 28 June 2014, 24 June 2016 and 28 June 2019 respectively.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' Report, as required by the Listing Rules of the Colombo Stock Exchange, are given under the Share Information section of the Annual Report.

The highest, lowest and the closing prices of the Company shares are disclosed in the Share Information section of the Annual Report.

Employment

The Group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. During the year the Group instituted a Diversity and Inclusion team towards increasing the diversity of its workforce and launched the 'ONE JKH' brand to consolidate its efforts towards diversity and inclusion and reinforce its position on non-discrimination and equal opportunity. Employee ownership in the Company is facilitated through the employee share option plan.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Details of the Group's human resource initiatives are detailed in the Human Capital section of the Capital Management Review section of the Annual Report.

The number of persons employed by the Company and Group as at 31 March 2021 was 110 (2020 - 95) and 13,831 (2020 - 14,821), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group..

Supplier Policy

The Group applies an overall policy of agreeing and clearly communicating the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. As at 31 March 2021, the trade and other payables of the Company and Group amounted to LKR. 373 Mn (2020 - LKR. 423 Mn) and LKR. 35,288 Mn (2020 - LKR. 23,881 Mn), respectively.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans.

Ratios and Market price information

The ratios relating to equity, debt and market price information as required by the listing requirements of the Colombo Stock Exchange are given in the Share Information section of this Report.

Corporate Governance

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework by effectively implementing systems and structures required to ensuring best practices in Corporate Governance. The manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance are given in the Corporate Governance section of this Report.

Sustainability

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements.

This is the Group's sixth Integrated Annual Report, which presents a comprehensive discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition through the six forms of capital reported under the International <IR> Framework. The Group has sought independent third-party assurance from DNV GL, represented in Sri Lanka by DNV Business Assurance Lanka (Pvt) Ltd, in relation to the non-financial information contained in this Report.

Research and Development

The Group has an active approach to research and development and recognises the contribution that it can make to intellectual property and the Group's operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce intellectual property rights, develop new products and processes and improve the operational efficiency of existing products and processes.

Environmental Protection

The Group complies with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country of operation.

Corporate Social Responsibility (CSR)

John Keells Foundation, which is funded by JKH and its subsidiaries, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly towards its stakeholders and to bring about sustainable development in its areas of focus. The CSR initiatives, including completed and on- going projects, are detailed in the Group Consolidated Review section in the Annual Report.

In quantifying the Group's contribution to CSR initiatives and activities, no account has been taken of in-house costs or management time.

Donations

Total donations made by the Company and the Group during the year amounted to LKR. 5 Mn (2020 - LKR. 3.5 Mn) and LKR. 7 Mn (2020 - LKR. 4.9 Mn), respectively. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant, provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

Compliance with Laws and Regulations

To the best of knowledge and belief of the Directors, the Company and the Group has not engaged in any activity, which contravenes the laws and regulations of the country.

Enterprise Risk Management and Internal Controls

The Board confirms that there is an ongoing process of identifying, evaluating and managing any significant risk faced by the Group, where the risks are assessed and reviewed by each business unit every quarter while further annual risk reviews are carried out by the Enterprise Risk Management Division. The headline risks of each listed Company are presented by the Business Unit to its respective Audit Committee for review and, in the case of John Keells Holdings PLC, by the Enterprise Risk Management Division to the John Keells Holdings PLC Audit Committee.

The Corporate Governance section of this Report elaborates on these practices and the Group's risk factors.

Internal Controls and Assurance

The Board, through the involvement of the Group Business Process Review Division, takes steps to gain assurance on the effectiveness over the financial, operational and risk management control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations and established policies and procedures of the Group. The head of the Group Business Process Review Division has direct access to the Chairman of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee.

Events After the Reporting Period

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in Note 48 to the Financial Statements.

Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the prevailing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

It is the view of the management there are no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern due to the improved operating environment, despite the ongoing effects of the pandemic, and the operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

Appointment and Remuneration of Independent Auditors

Messrs. Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

The Independent Auditors' Report is found in the Financial Statements section of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, independence and relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

The Group works with 3 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG and PricewaterhouseCoopers. Details of audit fees are set out in Note 18 to the Financial Statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report.

Integrated Annual Report

The Board of Directors approved the Integrated Annual Report on 24 May 2021. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

Annual General Meeting

The Annual General Meeting will be held as a virtual meeting on 25 June 2021 at 10:00 a.m.

This Annual Report is signed for and on behalf of the Board of Directors.

By Order of the Board

Director

Director

Keells Consultants (Pvt) Ltd
Secretaries
24 May 2021

THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year: and

The Directors are required to confirm that the financial statements:

have been prepared:

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

are

- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- provide the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring all dividend. A final dividend will be paid on or before 25 June 2021 to those shareholders on the register as of 4 June 2021.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance Report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd.
Secretaries
24 May 2021

INDEPENDENT AUDITORS' REPORT

EY
Building a better working world

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TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of John Keells Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2021, and the income statement and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment testing of significant Non-Current Assets in the Leisure Industry Group As at 31st March the Group reported the following significant non-current assets which accounted for 17% of the total assets of the Group under leisure industry Group. • Property, Plant & Equipment and Investment Property including Land and Buildings amounting to Rs 62.2 Bn • Right of Use Assets amounting to Rs. 29.1 Bn • Goodwill from leisure industry Group Rs. 166 Mn The continuing impacts of COVID -19 on the leisure industry Groups' results, have been considered a trigger for testing impairment of Non-Current Assets. The leisure industry Group tested significant Non-Current Assets including Goodwill for impairment using valuation techniques involving judgements, estimates and assumptions. In carrying out impairment assessments, Management evaluated the recoverability of the carrying value of cash generating units being each hotel of the leisure industry Group, by comparing the underlying expected future cash flows and fair values less cost to sell with the related carrying values. Impairment testing of significant non-current assets including goodwill was a key audit matter due to: • the degree of assumptions, judgements and estimation uncertainty associated with valuation of Land and Buildings amplified by the impact of COVID-19. The valuation this year contains a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value.	Our audit procedures included the following; • we gained an understanding of how management has forecast its future discounted cash flows which included consideration of the impacts of the continuing COVID-19 pandemic on the operations of the respective hotels of the Group. • we checked the calculations of the future discounted cash flows and cross checked the data to relevant underlying management information, to evaluate their reasonableness. • we engaged our internal resources to assist us in: - assessing the reasonableness of significant assumptions used such as expected period of time for recovery, anticipated occupancy and average room rates. This included comparing assumptions used with available industry data and market conditions, - evaluating the sensitivity of the projected cashflows, by considering possible changes in key assumptions, - assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as, per perch price and value per square foot.

INDEPENDENT AUDITORS' REPORT

Key Audit Matter	How our audit addressed the key audit matter
• the degree of underlying assumptions coupled with inherent estimation uncertainties that arise when deriving the estimated cashflows used for value in use calculations Key areas of significant judgments, estimates and assumptions included the following: • estimate of per perch value of the land and per square foot value of the buildings • key inputs and assumptions related to computing the value in use expectations of future cash flows, growth rates used for extrapolation purposes, discount rates and terminal yield rates including the potential impact from COVID-19.	
Waterfront Project The Group continues to invest in the Waterfront project as detailed in note 29 and 30 to the financial statements. Expenditure incurred include Work-in-progress -Waterfront Project and Inventory work in progress (apartments) amounting to LKR 147 Bn and represent 27 % of the total assets of the Group. This was a key audit matter due to; • the significance of the balances relating to the amounts recorded in the financial statements and the estimated future costs to be incurred including potential impacts from COVID 19. • involvement of management judgements in assessing capitalization of borrowing costs and other overhead costs to be included as Work-in-progress -Waterfront Project as detailed in note 29. • Key assumptions and estimates involved in ascertaining the carrying value and measurement of Inventory work-in-progress as detailed in note 30	Our procedures performed included: • performing sample tests of expenditure and allocation of overheads including an examination of management's assessment as to whether the expenditure met the recognition and measurement criteria set forth in accounting policies of the Group. • inspecting the loan agreement to establish that the loan has been obtained for the project and management's assessment on the timing of capitalization of borrowing costs in compliance with LKAS 23 – Borrowing Cost and verifying such costs on a sample basis. • reviewing the project status reports and the certificates issued by the project manager to identify the status of the project. • assessing on a sample basis the NRV on the Inventories Work -In-Progress to the selling prices achieved and contracted in the said project and the advertised sales prices. Assessing the adequacy of the Group's disclosures of its capitalization policy and other related disclosures in Note 29 and 30.
Life insurance contract liabilities Life Insurance Contract Liabilities amounting to Rs 45 Bn represent 15% of total liabilities of the Group as at 31 March 2021. Life Insurance Contract Liabilities are determined as described in note 36. This was a key audit matters due to: • Materiality of the reported Life Insurance Contract Liabilities; • The degree of assumptions, judgements and estimation uncertainty associated with actuarial valuation of Life Insurance Contract Liabilities; • Liability adequacy test carried out to ensure the adequacy of the carrying value of Life Insurance Contract Liabilities. Key areas of significant judgments, estimates and assumptions used in the valuation of the Life Insurance Contract Liabilities included the following: • The determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rate, discount rates and expenses and expected effects of COVID 19.	To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included amongst others the following: • we involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonableness of the assumptions and test the controls on sample basis over the process of estimating the insurance contract liabilities. • we involved the internal expert of component auditor of the subsidiary company to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities. • we assessed the adequacy of the disclosures and the movement in the insurance contract liabilities.
Interest Bearing Borrowing from IFC During the year Group has obtained a loan from IFC (International Finance Corporation) amounting to USD 175Mn (LKR 35 Bn) which represents 12% of the Group total liabilities. The Group incurred a related finance expense of Rs. 528 Mn during the year. This was a key audit matter due to: • Compliance with relevant covenants to ensure appropriateness of the classification of such borrowings in the financial statements. • The magnitude of the borrowings in relation to the total liabilities.	Our audit procedures included the following; • We understood the Group's processes and assessed the design and operating effectiveness of controls for recording and reporting the terms and conditions of interest-bearing borrowings, the associated interest costs and monitoring compliance with the covenants of the loan. • We validated the compliance with material covenants and obtained direct confirmations from external lending institution. • We assessed the appropriateness of the amount recognized as interest expense in the financial statement, performing a re-computation test. • We assessed the adequacy of the disclosures made in Note 37 in the financial statements relating to the interest-bearing borrowings and related finance cost respectively.

Other information included in the Group's 2020/21 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

Ernst & Young

24 May 2021
Colombo

INCOME STATEMENT

For the year ended 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Continuing operations					
Revenue from contracts with customers		114,454,483	127,834,824	1,637,063	1,462,190
Revenue from insurance contracts		13,221,167	11,120,928	-	-
Total revenue	14	127,675,650	138,955,752	1,637,063	1,462,190
Cost of sales		(108,747,058)	(112,874,121)	(957,490)	(995,038)
Gross profit		18,928,592	26,081,631	679,573	467,152
Dividend income	15	-	-	8,346,260	6,367,610
Other operating income	16.1	2,626,544	2,241,751	40,610	45,737
Selling and distribution expenses		(4,761,037)	(5,518,526)	-	-
Administrative expenses		(12,927,716)	(13,143,112)	(1,050,270)	(1,186,005)
Other operating expenses	16.2	(1,314,409)	(2,872,908)	(21,473)	(25,939)
Results from operating activities		2,551,974	6,788,836	7,994,700	5,668,555
Finance cost	17	(4,669,206)	(3,165,519)	(1,244,941)	(237,046)
Finance income	17	10,688,722	9,357,342	4,617,329	3,822,342
Change in insurance contract liabilities	36.2	(7,031,692)	(5,617,431)	-	-
Change in fair value of investment property	24	(253,425)	573,373	-	-
Share of results of equity accounted investees (net of tax)	27.3	4,158,793	4,466,457	-	-
Profit before tax		5,445,166	12,403,058	11,367,088	9,253,851
Tax expense	21.1	(1,494,275)	(2,662,263)	(801,201)	(614,311)
Profit for the year		3,950,891	9,740,795	10,565,887	8,639,540
Attributable to:					
Equity holders of the parent		4,772,100	9,413,788		
Non-controlling interests		(821,209)	327,007		
		3,950,891	9,740,795		
		LKR.	LKR.		
Earnings per share					
Basic	19.1	3.62	7.14		
Diluted	19.2	3.62	7.14		
Dividend per share	20	1.50	3.50		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Profit for the year		3,950,891	9,740,795	10,565,887	8,639,540
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		4,565,885	5,464,311	-	-
Net gain/(loss) on cash flow hedges		860,498	(935,954)	729,316	-
Net gain/(loss) on financial instruments at fair value through other comprehensive income		414,991	500,154	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		282,589	725,078	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		6,123,963	5,753,589	729,316	-
Other comprehensive income not to be reclassified to Income Statement in subsequent periods					
Net gain / (loss) on equity instruments at fair value through other comprehensive income		3,260	22,028	3,297	15,024
Revaluation of land and buildings	22.1	477,030	2,855,920	-	-
Re-measurement gain / (loss) on defined benefit plans	38.2	(95,096)	109,054	(2,135)	7,840
Share of other comprehensive income of equity accounted investees (net of tax)		(33,843)	74,729	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		351,351	3,061,731	1,162	22,864
Tax on other comprehensive income	21.2	(135,306)	(313,423)	-	-
Other comprehensive income for the period, net of tax		6,340,008	8,501,897	730,478	22,864
Total comprehensive income for the period, net of tax		10,290,899	18,242,692	11,296,365	8,662,404
Attributable to :					
Equity holders of the parent		10,760,991	16,581,451		
Non-controlling interests		(470,092)	1,661,241		
		10,290,899	18,242,692		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 March	**Note**	**2021**	**2020**	**2021**	**2020**
In LKR '000s					
ASSETS					
Non-current assets					
Property, plant and equipment	22	113,076,642	111,533,759	110,801	144,353
Right- of - use assets	23	40,616,850	37,170,270	-	-
Investment property	24	14,867,586	15,007,996	-	-
Intangible assets	25	4,852,978	3,288,989	97,522	102,542
Investments in subsidiaries	26	-	-	101,334,536	87,835,917
Investments in equity accounted investees	27	28,629,936	28,329,492	10,596,880	10,381,881
Non-current financial assets	28	62,589,803	40,078,469	17,611,121	284,978
Deferred tax assets	21.4	1,089,027	902,382	-	-
Other non-current assets	29	104,580,215	79,582,749	92,668	18,842
		370,303,037	315,894,106	129,843,528	98,768,513
Current assets					
Inventories	30	54,296,123	50,168,754	-	-
Trade and other receivables	31	17,456,698	12,186,327	114,780	125,451
Amounts due from related parties	44.1	123,553	389,766	1,465,816	681,617
Other current assets	32	5,919,453	6,513,353	170,901	1,124,829
Short term investments	33	69,262,761	38,457,970	51,591,037	27,372,003
Cash in hand and at bank		19,432,579	13,333,743	305,373	176,662
		166,491,167	121,049,913	53,647,907	29,480,562
Total assets		536,794,204	436,944,019	183,491,435	128,249,075
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	34.1	63,101,661	62,881,295	63,101,661	62,881,295
Revenue reserves		90,651,930	87,885,071	68,216,871	59,631,436
Other components of equity	34.2	72,403,140	66,085,354	3,621,176	2,724,944
		226,156,731	216,851,720	134,939,708	125,237,675
Non-controlling interest		16,830,098	26,872,142	-	-
Total equity		242,986,829	243,723,862	134,939,708	125,237,675
Non-current liabilities					
Insurance contract liabilities	36	45,160,611	38,185,839	-	-
Interest-bearing loans and borrowings	37	118,965,640	50,925,346	44,179,490	289,705
Lease liabilities	23	24,234,968	19,910,124	-	-
Deferred tax liabilities	21.4	7,720,111	8,294,955	-	-
Employee benefit liabilities	38	2,814,006	2,343,911	231,369	171,450
Non-current financial liabilities	39	3,660,952	3,619,863	-	-
Other non-current liabilities	40	19,545,655	12,613,909	-	-
		222,101,943	135,893,947	44,410,859	461,155
Current liabilities					
Trade and other payables	41	35,287,700	23,881,479	372,711	423,393
Amounts due to related parties	44.2	1,385	2,073	13,181	777
Income tax liabilities	21.3	1,988,170	1,747,597	717,029	389,510
Short term borrowings	42	6,903,737	5,803,771	-	-
Interest-bearing loans and borrowings	37	9,507,473	5,206,020	3,007,368	316,042
Lease liabilities	23	1,472,297	1,382,662	-	-
Other current financial liabilities	10.1	2,991,093	-	-	-
Other current liabilities	43	1,733,398	1,623,137	20,796	3,375
Bank overdrafts		11,820,179	17,679,471	9,783	1,417,148
		71,705,432	57,326,210	4,140,868	2,550,245
Total equity and liabilities		536,794,204	436,944,019	183,491,435	128,249,075

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

K M Thanthirige
Group Financial Controller
The Board of Directors is responsible for these financial statements.

K N J Balendra
Chairman

J G A Cooray
Deputy Chairman/Group Finance Director

The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

24 May 2021
Colombo

STATEMENT OF CASH FLOWS

		GROUP		COMPANY	
For the year ended 31 March	**Note**	**2021**	**2020**	**2021**	**2020**
In LKR '000s					
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	4,470,462	9,358,543	(146,513)	(491,479)
(Increase) / Decrease in inventories		(3,987,355)	762,708	-	-
(Increase) / Decrease in trade and other receivables		(1,066,095)	5,905,226	(12,321)	(251,054)
(Increase) / Decrease in other current assets		(277,860)	(446,750)	953,120	(1,046,394)
(Increase) / Decrease in other non-current assets		(20,755,867)	(42,265,062)	(67,593)	8,271
Increase / (Decrease) in trade, other payables and other non-current liabilities		18,512,982	8,559,141	(37,394)	118,036
Increase / (Decrease) in other current liabilities and other current financial liabilities		186,565	(1,384,363)	17,421	(2,271)
Increase / (Decrease) in insurance contract liabilities		6,974,772	5,352,781	-	-
Cash generated from operations		4,057,604	(14,157,776)	706,720	(1,664,891)
Finance income received		9,071,014	7,396,363	3,675,493	3,927,084
Finance cost paid		(2,100,700)	(3,305,442)	(791,933)	(237,046)
Dividend received		4,342,651	2,348,397	7,603,760	6,119,610
Tax paid		(1,269,419)	(2,393,267)	(473,682)	(450,388)
Gratuity paid		(276,410)	(238,597)	(7,968)	(43,645)
Net cash flows from operating activities		13,824,740	(10,350,322)	10,712,390	7,650,724
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	22.1	(5,367,019)	(15,211,909)	(9,077)	(23,601)
Purchase of intangible assets		(944,667)	(386,663)	(25,611)	(33,953)
Addition to investment property	24	(113,015)	(1,011)	-	-
Purchase of lease rights		(3,645)	(1,676,013)	-	-
Increase in interest in subsidiaries		-	-	(14,398,397)	(10,348,682)
Increase in interest in equity accounted investees		(321,256)	(242,589)	(214,999)	(95,389)
Proceeds from sale of property, plant and equipment and intangible assets		105,639	168,186	-	8,341
Proceeds from sale of non-current investments		-	-	-	2,008
Proceeds from sale of financial instruments - fair valued through profit or loss		1,717,107	1,036,510	-	-
Proceeds from sale of a subsidiary	10	-	-	1,058,000	-
Purchase of financial instruments - fair valued through profit or loss		(2,357,886)	(970,704)	-	-
(Purchase) / disposal of deposits and government securities (net)		(37,445,919)	(9,427,923)	(30,619,278)	(8,176,399)
(Purchase) / disposal of other non-current financial assets (net)	28.4	(213,287)	(326,648)	-	-
Net cash flows from/(used in) investing activities		(44,943,948)	(27,038,764)	(44,209,362)	(18,667,675)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		158,978	55,569	158,978	55,569
Changes in non-controlling interest		(5,999,478)	170	-	-
Dividend paid to equity holders of parent		(1,978,317)	(4,614,133)	(1,978,317)	(4,614,133)
Dividend paid to shareholders with non-controlling interest		(443,029)	(647,601)	-	-
Proceeds from long term borrowings	37.1	71,729,856	33,268,809	43,865,392	-
Repayment of long term borrowings	37.1	(6,753,731)	(4,701,733)	(540,608)	(300,468)
Payment of principal portion of lease liability		(2,386,808)	(763,416)	-	-
Proceeds from (repayment of) other financial liabilities (net)		1,099,966	(4,167,135)	-	(4,000,010)
Net cash flows from / (used in) financing activities		55,427,437	18,430,530	41,505,445	(8,859,042)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		24,308,229	(18,958,556)	8,008,473	(19,875,993)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		8,759,922	27,718,478	6,906,689	26,782,682
CASH AND CASH EQUIVALENTS AT THE END		33,068,151	8,759,922	14,915,162	6,906,689
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (less than 3 months)	33	25,455,751	13,105,650	14,619,572	8,147,175
Cash in hand and at bank		19,432,579	13,333,743	305,373	176,662
Unfavourable balances					
Bank overdrafts		(11,820,179)	(17,679,471)	(9,783)	(1,417,148)
Total cash and cash equivalents		33,068,151	8,759,922	14,915,162	6,906,689

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
A Profit before working capital changes					
Profit before tax		5,445,166	12,403,058	11,367,088	9,253,851
Adjustments for:					
Finance income	17	(10,688,722)	(9,357,342)	(4,617,329)	(3,822,342)
Dividend income	15	-	-	(8,346,260)	(6,367,610)
Finance costs	17	4,669,206	3,165,519	1,244,941	237,046
Share based payment expense	35	225,007	328,425	66,035	87,085
Change in fair value of investment property	24	253,425	(573,373)	-	-
Share of results of equity accounted investees	27.3	(4,158,793)	(4,466,457)	-	-
Profit on sale of non-current investments	16.1	-	-	-	(2,008)
Depreciation of property, plant and equipment	22.1,22.2	4,725,534	4,185,820	42,629	33,532
Provision for impairment losses	16.2	69,660	1,108	-	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	16.1, 16.2	6,005	97,007	-	(1,646)
Amortisation of right- of - use assets	23.1	2,619,179	2,265,955	-	-
Amortisation of intangible assets	25.1	641,563	502,844	30,631	24,687
Employee benefit provision and related costs	38	651,409	605,736	65,752	65,926
Unrealised (gain) / loss on foreign exchange (net)		11,823	200,243	-	-
		4,470,462	9,358,543	(146,513)	(491,479)

STATEMENT OF CHANGES IN EQUITY

COMPANY In LKR '000s	Stated capital	Other capital reserve	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total equity
As at 1 April 2019	62,806,482	2,390,966	-	9,773	55,598,189	120,805,410
Profit for the year	-	-	-	-	8,639,540	8,639,540
Other comprehensive income	-	-	-	15,024	7,840	22,864
Total comprehensive income	-	-	-	15,024	8,647,380	8,662,404
Exercise of share options	55,569	-	-	-	-	55,569
Share based payments	19,244	309,181	-	-	-	328,425
Final dividend paid - 2018/19	-	-	-	-	(1,318,173)	(1,318,173)
Interim dividends paid - 2019/20	-	-	-	-	(3,295,960)	(3,295,960)
As at 31 March 2020	62,881,295	2,700,147	-	24,797	59,631,436	125,237,675
Profit for the year	-	-	-	-	10,565,887	10,565,887
Other comprehensive income	-	-	729,316	3,297	(2,135)	730,478
Total comprehensive income	-	-	729,316	3,297	10,563,752	11,296,365
Exercise of share options	158,978	-	-	-	-	158,978
Share based payments	61,388	163,619	-	-	-	225,007
Interim dividends paid - 2020/21	-	-	-	-	(1,978,317)	(1,978,317)
As at 31 March 2021	63,101,661	2,863,766	729,316	28,094	68,216,871	134,939,708

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP In LKR '000s	Attributable to equity holders of the parent										
	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total	Non controlling interests	Total equity
As at 1 April 2019	62,806,482	3,509,194	35,931,552	15,939,589	402,646	2,390,966	472,169	82,834,219	204,286,817	26,071,923	230,358,740
Profit for the year	-	-	-	-	-	-	-	9,413,788	9,413,788	327,007	9,740,795
Other comprehensive income	-	-	1,688,441	5,716,075	(911,126)	-	622,661	51,612	7,167,663	1,334,234	8,501,897
Total comprehensive income	-	-	1,688,441	5,716,075	(911,126)	-	622,661	9,465,400	16,581,451	1,661,241	18,242,692
Transfer to restricted regulatory reserve	-	55,548	-	-	-	-	-	(55,548)	-	-	-
Transfer from revaluation reserves to retained earnings	-	-	(42,373)	-	-	-	-	42,373	-	-	-
Exercise of share options	55,569	-	-	-	-	-	-	-	55,569	-	55,569
Share based payments	19,244	-	-	-	-	309,181	-	-	328,425	-	328,425
Final dividend paid - 2018/19	-	-	-	-	-	-	-	(1,318,173)	(1,318,173)	-	(1,318,173)
Interim dividends paid - 2019/20	-	-	-	-	-	-	-	(3,295,960)	(3,295,960)	-	(3,295,960)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	209,636	209,636	(857,237)	(647,601)
Acquisition, disposal and changes in non-controlling interest	-	-	831	-	-	-	-	3,124	3,955	(3,785)	170
As at 31 March 2020	62,881,295	3,564,742	37,578,451	21,655,664	(508,480)	2,700,147	1,094,830	87,885,071	216,851,720	26,872,142	243,723,862
Profit for the year	-	-	-	-	-	-	-	4,772,100	4,772,100	(821,209)	3,950,891
Other comprehensive income	-	-	199,092	4,768,460	857,504	-	267,249	(103,414)	5,988,891	351,117	6,340,008
Total comprehensive income	-	-	199,092	4,768,460	857,504	-	267,249	4,668,686	10,760,991	(470,092)	10,290,899
Transfer to restricted regulatory reserve	-	61,862	-	-	-	-	-	(61,862)	-	-	-
Exercise of share options	158,978	-	-	-	-	-	-	-	158,978	-	158,978
Share based payments	61,388	-	-	-	-	163,619	-	-	225,007	-	225,007
Interim dividends paid - 2020/21	-	-	-	-	-	-	-	(1,978,317)	(1,978,317)	-	(1,978,317)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	137,268	137,268	(580,297)	(443,029)
Acquisition, disposal and changes in non-controlling interest	-	-	-	-	-	-	-	1,084	1,084	(8,991,655)	(8,990,571)
As at 31 March 2021	63,101,661	3,626,604	37,777,543	26,424,124	349,024	2,863,766	1,362,079	90,651,930	226,156,731	16,830,098	242,986,829

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 202 to 282 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE AND GROUP INFORMATION

1. Corporate information

Reporting entity

John Keells Holdings PLC is a public limited liability Company incorporated and domiciled in Sri Lanka. The registered office and principal place of business of the Company is located at 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2.

Ordinary shares of the Company are listed on the Colombo Stock Exchange. Global depository receipts (GDRs) of John Keells Holdings PLC are listed on the Luxembourg Stock Exchange.

John Keells Holdings PLC became the holding Company of the Group during the financial year ended 31 March 1986.

Consolidated financial statements

The financial statements for the year ended 31 March 2021 comprise "the Company" referring to John Keells Holdings PLC as the holding Company and "the Group" referring to the companies that have been consolidated therein.

Approval of financial statements

The financial statements for the year ended 31 March 2021 were authorised for issue by the Board of Directors on 24 May 2021.

Principal activities and nature of operations of the holding Company

John Keells Holdings PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Statements of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2. Group information

Subsidiaries , associates and joint ventures

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

3. Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and financial instruments measured at fair value through other comprehensive income that have been measured at fair value.

Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the prevailing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis.

It is the view of the management there are no material uncertainties that may cast significant doubt on the Groups' ability to continue to operate as a going concern due to the improved operating environment despite the ongoing effects of the pandemic and the operationalisation of risk mitigation initiatives and continuous monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above significant management judgements, estimates and assumptions, the impact of the COVID-19 pandemic has been considered as of the reporting date and specific considerations have been disclosed under the relevant notes.

Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (LKR):

Country of incorporation	Functional Currency	Name of the Subsidiary
India	Indian Rupee (INR)	Serene Holidays (Pvt) Ltd
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd
		John Keells Maldivian Resort (Pvt) Ltd
		Mack Air Services Maldives (Pte) Ltd
		Tranquility (Pte) Ltd
		Travel Club (Pte) Ltd
Mauritius	United States Dollar (USD)	John Keells BPO Holdings (Pvt) Ltd
		John Keells BPO International (Pvt) Ltd
Sri Lanka	United States Dollar (USD)	Waterfront Properties (Pvt) Ltd

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

All values are rounded to the nearest rupees thousand (LKR '000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

The indicative US Dollar financial statements under Supplementary Information section of the Annual Report do not form a part of the financial statements prepared in accordance with SLFRS/LKAS.

Comparative information
The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

4. Summary of significant accounting policies
Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not disclosed with individual notes
Following accounting policies, which have been applied consistently by the Group, are considered to be significant but not covered in any other sections.

Current versus non-current classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation, foreign currency transactions and balances
The consolidated financial statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

Foreign operations
The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

5. Significant accounting judgements, estimates and assumptions
The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Going concern basis

b) Valuation of property, plant and equipment and investment property

c) Impairment of non-financial assets

d) Share based payments

e) Taxes

f) Employee benefit liability

g) Valuation of insurance contract liabilities

h) Provision for expected credit losses of trade receivables and contract assets

i) Leases

The Group performed impairment testing for non-current assets with the indicators of impairment in accordance with the accounting policies stated in Note 22 Property, Plant and equipment, Note 23 Right of use assets, Note 24 Investment property and Note 25 Intangible assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash generating units are the higher of asset's fair value less costs of disposals and value in use. These calculations require the use of estimates, assumptions and judgements. Value in use calculations were based on cash flow projections as at 31 March 2021. The cash flow projections are derived from the approved business plans and assumptions which are unique for each industry segment. The Leisure industry Group assets were tested for impairment as of 31 March 2021. The key assumptions used in determining the value in use calculations were - occupancy rates, room revenue, food revenue and beverage revenue. The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

The Group assesses the fair value of its property, plant and equipment and investment property based on valuations determined by independent qualified valuers' best estimate based on the market conditions that prevailed, which in the valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

In view of the cash flow projections, no provision for impairment losses is considered necessary after reviewing the impairment assessment.

6. Changes in accounting standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

Amendments to SLFRS 16 COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification.

A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification. The Group has applied practical expedient for COVID-19 related rent concessions.

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

Amendments to SLFRS 3: Definition of a Business
Amendments to LKAS 1 and LKAS 8 Definition of Material
Conceptual Framework for Financial Reporting

7. Standards issued but not yet effective

SLFRS 17 - Insurance Contracts

As recommended by the Accounting Standards Committee, the Institute of Chartered Accountants of Sri Lanka has decided to adopt SLFRS 17 Insurance Contracts with effective from annual reporting periods beginning on or after 1 January 2023.

Early adoption is permitted if the regulator permits along with the adoption of SLFRS 9 Financial Instruments and SLFRS 15 Revenue from Contracts with Customers. SLFRS 17 supersedes SLFRS 4 Insurance Contracts. Union Assurance PLC (the company), a subsidiary company of the Group intends to adopt the new standard on its mandatory effective date, alongside the adoption of SLFRS 9.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) such as the company's with-profits products, the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

SLFRS 17 requires this CSM to be calculated as if the standard had applied retrospectively. However if this is not practical an entity is required to choose either a simplified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

SLFRS 17 Implementation Programme - Union Assurance PLC

SLFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of SLFRS profit recognition. Given the implementation of this standard is likely to involve significant enhancements to IT, actuarial and finance systems of the company, it will also have an impact on the company's expenses.

The company has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Steering Committee, chaired by the Chief Financial Officer and Chief Actuarial Officer provides oversight and strategic direction to the implementation programme.

The company remains on track to start providing SLFRS 17 financial statements in line with the requirements for interim reporting at its effective date, which is currently expected to be 2023.

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendments to LKAS 1 : Classification of liabilities as Current or Non-current.
- Amendments to SLFRS 3: Reference to the Conceptual Framework.
- Amendments to LKAS 16 : Property, Plant & Equipment - Proceeds before Intended Use
- Amendments to LKAS 37 : Onerous Contracts - Cost of Fulfilling a Contract.
- Amendments to SLFRS 7, SLFRS 9 and LKAS 39 : Interest Rate Benchmark Reform - Phase 2.
- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2.

GROUP BUSINESS, OPERATIONS AND MANAGEMENT

8. Operating segment information

Accounting policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the operating business segments of the Group are detailed in the Group directory in the Supplementary section of the Annual report.

The Group has now organised its business units into seven reportable operating segments based on their products and services as follows:

Transportation

This operating segment provides an array of transportation related services, which comprise of a container terminal in the Port of Colombo, a marine bunkering business, domestic airline, joint venture/associations with leading shipping, logistics and air transportation multinationals as well as travel and airlines services in Sri Lanka and the Maldives.

Consumer Foods

Consumer foods segment focuses on manufacturing of a wide range of soft drinks, dairy products, ice creams and processed foods which competes in three major categories namely beverages, frozen confectionery and convenience foods.

Retail

Retail segment focuses on modern organised retailing through a chain of supermarkets and distribution of printers, copiers, smart phones and other office automation equipment.

Leisure

The leisure segment comprises of five-star city hotels, a lean luxury hotel, resort hotels spread across prime tourist locations in Sri Lanka, as well as destination management business in Sri Lanka.

Property

Property segment concentrates primarily on property development, renting of commercial office spaces and management of the Group's real estate.

Financial Services

The segment engages in a broad range of financial services including insurance, commercial banking, debt trading, fund management, leasing and stock broking.

Others

This reportable segment represents companies in the plantation industry, Information technology, management and holding Company of the Group as well as several ancillary companies.

8. Operating segment information (Contd.)

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

No operating segments have been aggregated to form the above reportable operating segments. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments' information, is measured differently from operating profit or loss in the consolidated financial statements. However, except the Financial Services segment, other segments' financing activities are managed on a group basis and are not allocated to operating segments. Pricing between operating segments comply with the arm's length principals relating to transfer pricing in the ordinary course of business.

8.1 Business segments

	Transportation		Consumer Foods		Retail	
For the year ended 31 March In LKR '000s	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	16,198,223	22,592,648	17,003,814	18,515,394	70,314,670	64,803,715
Services transferred over time	2,204,952	2,467,810	-	-	84,997	95,978
Total segment revenue	18,403,175	25,060,458	17,003,814	18,515,394	70,399,667	64,899,693
Elimination of inter segment revenue						
External revenue						
Segment results	863,752	1,070,319	2,450,905	2,472,843	3,382,058	3,168,185
Finance cost	(78,043)	(133,389)	(150,881)	(229,646)	(1,679,343)	(1,704,037)
Finance income	134,793	152,238	41,725	51,720	110,156	44,821
Change in fair value of investment property	-	-	3,873	42,388	-	-
Share of results of equity accounted investees	2,422,382	2,997,682	-	-	-	-
Eliminations / adjustments	-	-	(48,636)	(6,981)	4,738	(16,859)
Profit / (loss) before tax	3,342,884	4,086,850	2,296,986	2,330,324	1,817,609	1,492,110
Tax expense	(96,633)	(125,128)	(140,723)	(685,920)	(248,762)	(421,897)
Profit/ (loss) for the year	3,246,251	3,961,722	2,156,263	1,644,404	1,568,847	1,070,213
Purchase and construction of PPE*	100,490	240,974	626,423	1,197,535	2,712,459	3,431,613
Addition to IA*	500	710	210,597	3,957	1,167,094	271,521
Depreciation of PPE*	202,331	195,087	852,524	843,738	1,180,975	1,063,266
Amortisation of IA*	1,517	2,167	3,681	2,568	138,900	76,006
Amortisation of ROU*	59,858	-	6,222	5,991	915,755	773,765
Employee benefit provision and related costs	29,276	28,046	118,387	102,184	90,868	74,053

In addition to segment results, information such as finance costs / income, tax expenses has been allocated to segments for better presentation.
* PPE - Property, plant and equipment, IA - Intangible assets, ROU - Right-of-use assets

Leisure		Property		Financial Services		Others		Group Total	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
-	-	228,757	-	-	-	2,346,224	2,109,139	106,091,688	108,020,896
5,411,731	17,634,628	578,193	826,212	13,601,023	11,249,518	3,968,823	3,811,329	25,849,719	36,085,475
5,411,731	17,634,628	806,950	826,212	13,601,023	11,249,518	6,315,047	5,920,468	131,941,407	144,106,371
								(4,265,757)	(5,150,619)
								127,675,650	138,955,752
(7,555,464)	(969,286)	40,590	(175,195)	1,773,064	1,233,475	(131,794)	(823,932)	823,111	5,976,409
(1,192,991)	(670,849)	(16,800)	(30,262)	(274,019)	(61,028)	(1,277,129)	(336,308)	(4,669,206)	(3,165,519)
170,104	250,928	64,656	148,174	153,351	200,655	4,716,984	3,924,111	5,391,769	4,772,647
16,250	21,504	(291,262)	455,085	-	-	17,714	54,396	(253,425)	573,373
(70,829)	(8,307)	99,417	95,173	1,707,823	1,381,909	-	-	4,158,793	4,466,457
105,995	(164,180)	(33,046)	(30,800)	-	-	(34,927)	(1,489)	(5,876)	(220,309)
(8,526,935)	(1,540,190)	(136,445)	462,175	3,360,219	2,755,011	3,290,848	2,816,778	5,445,166	12,403,058
929,329	(7,929)	(139,428)	(136,636)	(863,062)	(532,793)	(934,996)	(751,960)	(1,494,275)	(2,662,263)
(7,597,606)	(1,548,119)	(275,873)	325,539	2,497,157	2,222,218	2,355,852	2,064,818	3,950,891	9,740,795
1,708,144	9,836,772	91,219	293,421	56,395	85,462	71,889	126,132	5,367,019	15,211,909
20,452	24,669	-	-	733,987	35,961	54,670	49,845	2,187,300	386,663
2,206,781	1,819,606	45,867	48,830	84,148	86,176	152,908	129,117	4,725,534	4,185,820
67,735	65,215	6,658	6,750	383,053	318,080	40,019	32,058	641,563	502,844
1,489,624	1,347,421	22,582	19,866	125,049	117,737	89	1,175	2,619,179	2,265,955
199,193	195,339	7,091	2,855	67,914	72,615	138,680	130,644	651,409	605,736

8. Operating segment information (Contd.)

8.2. Business segments

The following table presents segment assets and liabilities of the Group's business segments.

As at In LKR '000s	Transportation		Consumer Foods		Retail	
	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Property, plant and equipment	955,742	1,058,895	9,729,769	9,787,579	14,343,328	12,759,302
Right-of-use-assets	161,528	2,420	232,942	238,275	9,361,332	8,405,902
Investment property	-	-	300,295	296,421	-	-
Intangible assets	7,949	8,342	464,637	249,290	1,606,164	535,896
Non-current financial assets	153,107	153,004	177,598	172,527	157,731	132,965
Other non-current assets	14,867	20,486	58,377	55,962	1,015,907	881,782
Segment non-current assets	1,293,193	1,243,147	10,963,618	10,800,054	26,484,462	22,715,847
Investments in equity accounted investees	12,208,454	13,444,422	-	-	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	333,102	729,864	2,252,476	2,065,766	7,276,679	5,361,774
Trade and other receivables	1,925,320	1,896,377	3,167,757	2,623,940	2,990,445	2,649,605
Short term investments	100,369	205,320	514	14,706	3,753,429	449,088
Cash in hand and at bank	3,697,218	4,495,130	200,993	323,546	2,716,348	240,814
Segment current assets	6,056,009	7,326,691	5,621,740	5,027,958	16,736,901	8,701,281
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest bearing loans and borrowings	31,889	-	627,335	1,080,214	4,600,000	-
Lease liabilities	163,747	2,333	102,340	87,887	8,756,050	7,334,023
Employee benefit liabilities	112,944	94,899	659,432	548,681	339,146	254,210
Non-current financial liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	101,054	117,940	-	-
Segment non-current liabilities	308,580	97,232	1,490,161	1,834,722	13,695,196	7,588,233
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	1,191,007	1,853,419	2,577,616	1,726,140	16,513,758	8,797,570
Short term borrowings	3,192,886	4,073,865	-	-	4,248,003	1,984,311
Interest bearing loans and borrowings	13,111	-	543,455	543,455	1,200,000	-
Lease liabilities	-	-	1,110	11,043	337,921	237,954
Other current financial liabilities	-	-	-	-	-	-
Bank overdrafts	506,826	409,700	1,375,024	1,637,251	4,188,582	9,200,324
Segment current liabilities	4,903,830	6,336,984	4,497,205	3,917,889	26,488,264	20,220,159
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	7,349,202	8,569,838	16,585,358	15,828,012	43,221,363	31,417,128
Total segment liabilities	5,212,410	6,434,216	5,987,366	5,752,611	40,183,460	27,808,392

Inter company investments made by the Group of companies have not been considered for the calculation of segment assets.

Leisure		Property		Financial Services		Others		Group Total	
31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
57,793,645	57,493,120	4,802,630	4,795,211	2,463,891	2,491,822	1,362,978	1,377,581	91,451,983	89,763,510
29,163,573	26,859,174	220,666	225,680	298,767	278,669	35,978	37,155	39,474,786	36,047,275
4,429,456	4,522,725	29,891,114	31,311,293	-	-	2,125,423	865,776	36,746,288	36,996,215
260,848	308,129	834	29,336	1,807,054	1,316,147	194,592	158,098	4,342,078	2,605,238
7,021,227	6,722,027	43,951	227,449	43,570,046	38,561,535	17,998,486	333,040	69,122,146	46,302,547
24,891	37,318	103,803,090	78,973,882	91,000	112,579	114,461	32,954	105,122,593	80,114,963
98,693,640	95,942,493	138,762,285	115,562,851	48,230,758	42,760,752	21,831,918	2,804,604	346,259,874	291,829,748
1,430,014	1,394,583	1,982,710	1,883,293	13,008,759	11,607,194	-	-	28,629,936	28,329,492
								1,089,027	902,382
								738,596	738,596
								(6,414,396)	(5,906,112)
								370,303,037	315,894,106
362,738	426,131	43,872,141	41,407,129	14,843	12,514	255,930	198,206	54,367,909	50,201,384
879,635	3,340,894	221,386	121,086	7,623,070	1,184,041	3,147,434	1,038,157	19,955,047	12,854,100
2,764,348	3,199,538	286,992	888,226	13,457,845	8,205,827	52,254,596	27,661,442	72,618,093	40,624,147
1,469,552	1,463,798	7,925,556	1,726,800	887,497	1,063,919	2,458,360	2,117,976	19,355,524	11,431,983
5,476,273	8,430,361	52,306,075	44,143,241	21,983,255	10,466,301	58,116,320	31,015,781	166,296,573	115,111,614
								5,919,453	6,513,353
								(5,724,859)	(575,054)
								166,491,167	121,049,913
								536,794,204	436,944,019
-	-	-	-	45,160,611	38,185,839	-	-	45,160,611	38,185,839
20,137,034	17,350,581	55,878,945	38,358,644	-	-	44,198,156	289,705	125,473,359	57,079,144
14,983,915	12,321,600	462	432	182,797	163,849	-	-	24,189,311	19,910,124
894,015	813,935	23,427	110,174	247,261	204,579	537,781	317,434	2,814,006	2,343,912
-	-	3,660,951	3,619,863	-	-	-	-	3,660,951	3,619,863
111,839	93,353	19,332,966	12,402,802	-	-	467	487	19,546,326	12,614,582
36,126,803	30,579,469	78,896,751	54,491,915	45,590,669	38,554,267	44,736,404	607,626	220,844,564	133,753,464
								7,720,111	8,294,955
								(6,462,732)	(6,154,472)
								222,101,943	135,893,947
2,523,654	2,281,147	1,739,109	6,005,379	11,690,755	2,708,601	1,596,742	1,032,217	37,832,641	24,404,473
2,770,345	1,914,264	-	-	-	-	22,074	12,074	10,233,308	7,984,514
1,556,407	1,081,608	3,173,799	3,310,571	-	-	3,020,702	316,042	9,507,474	5,251,676
1,131,749	1,100,006	-	-	114,858	101,110	-	-	1,585,638	1,450,113
-	-	2,991,093	-	-	-	-	-	2,991,093	-
4,905,726	3,789,101	421,127	937,611	143,295	331,411	351,598	1,446,072	11,892,178	17,751,470
12,887,881	10,166,126	8,325,128	10,253,561	11,948,908	3,141,122	4,991,116	2,806,405	74,042,332	56,842,246
								1,988,170	1,747,597
								1,733,398	1,623,137
								(6,058,468)	(2,886,770)
								71,705,432	57,326,210
								293,807,375	193,220,157
104,169,913	104,372,854	191,068,360	159,706,092	70,214,013	53,227,053	79,948,238	33,820,385	512,556,447	406,941,362
49,014,684	40,745,595	87,221,879	64,745,476	57,539,577	41,695,389	49,727,520	3,414,031	294,886,896	190,595,710

8. Operating segment information (Contd.)

8.3 Business Segment analysis - Disaggregation of revenue - Business segment analysis

	GROUP					
	2021			2020		
For the year ended 31 March In LKR '000s	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
Transportation	16,198,223	1,220,234	17,418,457	22,592,648	1,356,183	23,948,831
Consumer Foods	16,510,040	-	16,510,040	17,004,471	-	17,004,471
Retail	70,143,914	84,742	70,228,656	64,666,622	95,465	64,762,087
Leisure	-	5,356,272	5,356,272	-	17,598,572	17,598,572
Property	228,757	383,252	612,009	-	589,760	589,760
Financial Services	-	13,601,023	13,601,023	-	11,248,908	11,248,908
Others	2,346,224	1,602,969	3,949,193	2,109,139	1,693,984	3,803,123
Group revenue	105,427,158	22,248,492	127,675,650	106,372,880	32,582,872	138,955,752

8.4 Disaggregation of revenue - Geographical segment analysis (by location of customers)

	GROUP	
For the year ended 31 March In LKR '000s	2021	2020
Sri Lanka	110,068,147	98,895,204
Asia (excluding Sri Lanka)	8,063,051	15,895,870
Europe	6,299,503	12,503,073
Others	3,244,949	11,661,605
Group external revenue	127,675,650	138,955,752

8.5 Geographical segments, based on the location of assets

	Sri Lanka		Asia (excluding Sri Lanka)		Group Total	
In LKR '000s	2021	2020	2021	2020	2021	2020
Group external revenue	124,969,829	133,510,214	2,705,821	5,445,538	127,675,650	138,955,752
Segment revenue	129,235,586	138,660,833	2,705,821	5,445,538	131,941,407	144,106,371
Segment results	3,462,853	5,505,362	(2,639,742)	471,047	823,111	5,976,409
Segment assets	461,374,360	364,695,109	51,182,087	42,246,253	512,556,447	406,941,362
Segment liabilities	255,946,546	164,223,144	38,940,350	26,372,566	294,886,896	190,595,710
Purchase and construction of property, plant and equipment	4,593,497	9,771,472	773,522	5,440,437	5,367,019	15,211,909
Purchase and construction of intangible assets	2,187,299	386,663	-	-	2,187,299	386,663
Depreciation of property, plant and equipment	3,719,193	3,562,006	1,006,341	623,814	4,725,534	4,185,820
Amortisation of intangible assets	641,563	502,844	-	-	641,563	502,844
Amortisation of right- of - use assets	1,193,160	981,484	1,426,019	1,284,471	2,619,179	2,265,955
Employee benefit provision and related costs	651,409	605,736	-	-	651,409	605,736
Investments in equity accounted investees	28,629,936	28,329,492	-	-	28,629,936	28,329,492

9. Basis of consolidation and material partly owned subsidiaries

Accounting policy

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of reporting period. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control over an investee

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Consolidation of entities in which the Group holds less than a majority of voting rights

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Subsidiaries that are consolidated have been listed in the Group directory under Supplementary section of the annual report.

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

	% Holding
Rajawella Holdings Ltd	49.85
Mack Air Services Maldives (Pte) Ltd	49.00
Tea Smallholder Factories PLC	37.62

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

Transactions eliminated on consolidation

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Loss of control

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

Non-controlling interest (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The Consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

9. Basis of consolidation and material partly owned subsidiaries (Contd.)

9.1 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below.

	Leisure		Consumer Foods		Retail	
In LKR '000s	2021	2020	2021	2020	2021	2020
Summarised Income Statement for the period ending 31 March						
Revenue	5,411,731	19,290,291	17,003,814	18,693,655	70,399,667	64,899,693
Operating cost	(12,797,193)	(19,972,792)	(14,042,908)	(15,436,296)	(67,031,278)	(62,799,780)
Finance cost	(1,192,991)	(670,849)	(150,881)	(230,477)	(1,679,343)	(1,722,573)
Finance income	170,104	250,928	41,725	51,720	110,156	44,821
Change in fair value of investment property	(93,269)	183,929	3,873	42,388	-	-
Profit before tax	(8,392,099)	(918,493)	2,855,623	3,120,990	1,799,202	1,508,969
Tax expense	939,516	(8,694)	(140,723)	(685,920)	(239,748)	(418,149)
Profit for the year	(7,452,583)	(927,187)	2,714,900	2,435,070	1,559,454	1,090,820
Other comprehensive income	867,016	(1,814,198)	219,530	1,163,154	812,868	(66,408)
Total comprehensive income	(6,585,567)	(2,741,385)	2,934,430	3,598,224	2,372,322	1,024,412
Profit/(loss) allocated to NCI	(1,386,816)	(271,607)	379,676	295,106	95,882	125,508
Dividend paid to NCI	34,682	137,825	511,682	320,504	-	154,517
Summarised Statement of Financial Position as at 31 March						
Non-current assets	98,693,640	95,942,493	10,963,618	10,800,054	26,484,462	22,715,847
Current assets	5,476,273	8,430,361	5,621,740	5,027,958	16,736,901	8,701,281
Total assets	104,169,913	104,372,854	16,585,358	15,828,012	43,221,363	31,417,128
Non-current liabilities	36,126,803	30,579,469	1,490,161	1,834,722	13,695,196	7,588,233
Current liabilities	12,887,881	10,166,126	4,497,205	3,917,889	26,488,264	20,220,159
Total liabilities	49,014,684	40,745,595	5,987,366	5,752,611	40,183,460	27,808,392
Accumulated balances of NCI	10,236,551	11,383,511	4,403,591	3,475,127	1,162,478	1,052,623
Summarised Statement of Cash Flows for the year ended 31 March						
Cash flows from/(used in) operating activities	(2,138,318)	2,621,334	3,224,581	2,160,094	9,656,339	4,760,370
Cash flows from/(used in) investing activities	(1,879,492)	(11,075,782)	(332,719)	(415,661)	(4,293,973)	(3,152,935)
Cash flows from/(used in) financing activities	1,851,082	5,891,583	(2,769,096)	(2,423,421)	5,052,179	(3,095,220)
Net increase / (decrease) in cash and cash equivalents	(2,166,728)	(2,562,865)	122,766	(678,988)	10,414,545	(1,487,785)

The above information is based on amounts before inter-company eliminations.

Names of material partly-owned subsidiaries and effective holding % owned by non-controlling interest:

Material partly-owned subsidiary	2021	2020
Consumer Foods		
Ceylon Cold Stores PLC	18.64%	18.64%
Keells Food Products PLC	11.37%	11.37%
The Colombo Ice Company (Pvt) Ltd	18.64%	18.64%
Retail		
JayKay Marketing Services (Pvt) Ltd	18.64%	18.64%
Logipark International (Pvt) Ltd	18.64%	-
Leisure		
Ahungalle Holiday Resorts (Pvt) Ltd	19.68%	19.68%
Asian Hotels and Properties PLC	21.44%	21.44%
Beruwala Holiday Resorts (Pvt) Ltd	20.22%	20.22%
Ceylon Holiday Resorts Ltd	20.40%	20.40%
Cinnamon Holidays (Pvt) Ltd	19.68%	19.68%
Fantasea World Investments (Pte) Ltd	19.68%	19.68%
Habarana Lodge Ltd	21.01%	21.01%
Habarana Walk Inn Ltd	20.66%	20.66%
Hikkaduwa Holiday Resorts (Pvt) Ltd	20.40%	20.40%
International Tourists and Hoteliers Ltd	20.22%	20.22%
John Keells Hotels PLC	19.68%	19.68%
John Keells Maldivian Resorts (Pte) Ltd	19.68%	19.68%
Kandy Walk Inn Ltd	20.97%	20.97%
Nuwara Eliya Holiday Resorts (Pvt) Ltd	19.68%	19.68%
Rajawella Hotels Company Ltd	19.68%	19.68%
Resort Hotels Ltd	20.40%	20.40%
Serene Holidays (Pvt) Ltd	1.65%	1.65%
Tranquility (Pte) Ltd	19.68%	19.68%
Trans Asia Hotels PLC	17.26%	17.26%
Travel Club (Pte) Ltd	19.68%	19.68%
Trinco Holiday Resorts (Pvt) Ltd	19.68%	19.68%
Trinco Walk Inn Ltd	19.68%	19.68%
Walkers Tours Ltd	1.95%	1.95%
Wirawila Walk Inn Ltd	19.68%	19.68%
Yala Village (Pvt) Ltd	24.67%	24.67%

Accounting judgements,estimates and assumptions

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control).

The Group considers that it controls some subsidiaries even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of those subsidiaries with equity interest. The remaining equity shares in those subsidiaries are widely held by many other shareholders, and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Considering the Group balances, none of the individual partly-owned subsidiaries have material non-controlling interest. However, the above information has been presented on the aggregated interests in similar entities namely, the Leisure and Consumer Foods and Retail (CFR) segment, based on the nature and risks of the products and services.

10. Business combinations and acquisitions of non-controlling interests

Accounting policy

Business combinations & goodwill

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9.

10. Business combinations and acquisitions of non-controlling interests (Contd.)

Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31 March) when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

10.1 Investment in subsidiaries

Waterfront Properties (Pvt) Ltd (WPL)

John Keells Holdings PLC (JKH) further invested LKR 8,418 Mn (2020 - LKR 10,349 Mn) in WPL, a subsidiary of JKH involved in developing, owning, managing, operating, selling, leasing and renting of a luxury multi/mixed use Integrated Resort.

J K Land (Pvt) Ltd (J K Land)

John Keells Holdings PLC (JKH) further invested LKR 5,980 Mn in JK Land to increase it's shareholding in Vauxhall Land Developments (Pvt) Ltd.

Vauxhall Land Developments (Pvt) Ltd (VLD)

JK Land (Pvt) Ltd Increased it's shareholding in VLD to 100% from 60.33% by acquiring the remaining stake in VLD for the cash and contingent consideration of LKR 8,971Mn.

	LKR '000s
Cash consideration	5,980,392
Contingent consideration	2,991,093
Total consideration to acquire 39.67% stake in VLD	8,971,485
Derecognition of non-controlling interest	9,167,122
Equity adjustment due to changes in non-controlling interest	(195,637)
	8,971,485

LogiPark International (Pvt) Ltd (LogiPark)

John Keells Holdings PLC (JKH) disposed LogiPark to JayKay Marketing Services (Pvt) Ltd (JMSL) for LKR 1,059 Mn resulted to decrease Group shareholding to 81.36% from 100%.

10.2 Investment in equity accounted investees

Indra Hotels and Resorts Kandy (Pvt) Ltd (IHRK)

John Keells Hotels PLC has further invested LKR 131 Mn (2020 - LKR 145 Mn) in IHRK. Cinnamon Red will expand its footprint with the construction of Cinnamon Red Kandy.

Saffron Aviation (Pvt) Ltd (Saffron)

John Keells Holdings PLC (JKH) further invested LKR 215 Mn in Saffron, the operating company of the domestic aviation operation 'Cinnamon Air'.

11. Financial risk management objectives and policies

The Group has loans and other receivables, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as available for sale and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Group is exposed to market risk, credit risk and liquidity risk.

11.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash and cash equivalents, available-for-sale financial investments, investments, and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk and the Group takes all reasonable steps to ensure the counterparties fulfill their obligations.

NOTES TO THE FINANCIAL STATEMENTS

11 . Financial risk management objectives and policies (Contd.)

11.1.1 Risk exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). Following table shows the maximum risk positions.

As at 31 March		2021						
In LKR '000s	Notes	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Group								
Government securities	11.1.2	29,703,638	-	-	10,455,199	-	40,158,837	24%
Corporate debt securities	11.1.3	9,955,243	-	-	1,290,325	-	11,245,568	7%
Deposits with banks	11.1.4	18,871,021	-	-	54,045,971	-	72,916,992	44%
Loans to executives	11.1.5	990,562	-	341,838	-	-	1,332,400	1%
Loans to life policyholders	11.1.6	1,840,841	-	-	-	-	1,840,841	1%
Preference Shares	11.1.7	351,430	-	-	-	-	351,430	0%
Interest rate swap	11.1.8	729,316	-	-	-	-	729,316	1%
Trade and other receivables	11.1.9	-	-	16,192,825	-	-	16,192,825	10%
Reinsurance receivables	11.1.10	-	-	589,306	-	-	589,306	0%
Premium receivable	11.1.11	-	-	332,729	-	-	332,729	0%
Amounts due from related parties	11.1.12	-	-	-	-	123,553	123,553	0%
Cash in hand and at bank	11.1.13	-	19,432,579	-	-	-	19,432,579	12%
Total credit risk exposure		62,442,051	19,432,579	17,456,698	65,791,495	123,553	165,246,376	100%
Financial assets at fair value through P&L	11.3.3.1	-	-	-	3,471,266	-		
Financial assets at fair value through OCI	11.3.3.2	147,752	-	-	-	-		
Total equity risk exposure		147,752	-	-	3,471,266	-		
Total		62,589,803	19,432,579	17,456,698	69,262,761	123,553		
Company								
Government securities		-	-	-	3,339,580	-	3,339,580	5%
Corporate debt securities		-	-	-	-	-	-	-
Deposits with banks	11.1.4	16,729,867	-	-	48,251,457	-	64,981,324	92%
Loans to executives	11.1.5	59,592	-	19,406	-	-	78,998	0%
Interest rate swap	11.1.8	729,316	-	-	-	-	729,316	1%
Trade and other receivables	11.1.9	-	-	95,374	-	-	95,374	0%
Amounts due from related parties	11.1.12	-	-	-	-	1,465,816	1,465,816	2%
Cash in hand and at bank	11.1.13	-	305,373	-	-	-	305,373	0%
Total credit risk exposure		17,518,775	305,373	114,780	51,591,037	1,465,816	70,995,781	100%
Financial assets at fair value through OCI	11.3.3.2	92,346	-	-	-	-		
Total equity risk exposure		92,346	-	-	-	-		
Total		17,611,121	305,373	114,780	51,591,037	1,465,816		

			2020			
Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
27,478,202	-	-	2,948,578	-	30,426,780	30%
8,038,787	-	-	553,010	-	8,591,797	8%
1,496,562	-	-	32,086,437	-	33,582,999	33%
971,913	-	324,551	-	-	1,296,464	1%
1,627,555	-	-	-	-	1,627,555	2%
320,957	-	-	-	-	320,957	0%
-	-	-	-	-	-	-
-	-	11,059,966	-	-	11,059,966	11%
-	-	421,297	-	-	421,297	0%
-	-	380,513	-	-	380,513	0%
-	-	-	-	389,766	389,766	0%
-	13,333,743	-	-	-	13,333,743	15%
39,933,976	13,333,743	12,186,327	35,588,025	389,766	101,431,837	100%
-	-	-	2,869,945	-		
144,493	-	-	-	-		
144,493	-	-	2,869,945	-		
40,078,469	13,333,743	12,186,327	38,457,970	389,766		
-	-	-	-	-	-	-
-	-	-	-	-	-	-
125,472	-	-	27,372,003	-	27,497,475	96%
70,457	-	19,721	-	-	90,178	0%
-	-	-	-	-	-	-
-	-	105,730	-	-	105,730	0%
-	-	-	-	681,617	681,617	3%
-	176,662	-	-	-	176,662	1%
195,929	176,662	125,451	27,372,003	681,617	28,551,662	100%
89,049	-	-	-	-		
89,049	-	-	-	-		
284,978	176,662	125,451	27,372,003	681,617		

11. Financial risk management objectives and policies (Contd.)

11.1.2 Government securities

As at 31 March 2021 as shown in table above, 24% (2020 - 30%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

11.1.3 Corporate debt securities

As at 31 March 2021 corporate debt securities comprise 7% (2020-8%) of the total investments in debt securities, out of which 53% (2020 – 53%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

	GROUP			
As at 31 March	2021		2020	
Fitch ratings	In LKR '000s	%	In LKR '000s	%
AAA	158,965	1%	158,992	2%
AA+	-	-	211,487	2%
AA	1,307,864	12%	740,194	9%
AA-	1,074,244	10%	854,838	10%
A+	665,947	6%	1,133,742	13%
A	2,665,685	24%	1,503,496	17%
A-	2,128,541	19%	1,562,950	18%
BBB	168,264	1%	-	-
BBB+	3,076,058	27%	2,426,098	29%
Total	11,245,568	100%	8,591,797	100%

11.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2021, fixed and call deposits comprise 99% (2020 - 67%) and 100% (2020 - 74%) for the Group and Company respectively were rated "A" or better.

	GROUP				COMPANY			
As at 31 March	2021		2020		2021		2020	
Fitch ratings	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%
AAA	2,358,274	3%	104,302	0%	-	-	-	-
AA+	367,612	0%	15,317,074	46%	-	-	14,827,036	54%
AA	-	-	203,598	1%	-	-	58,934	0%
AA-	64,608,594	89%	312,661	1%	62,764,844	97%	66,538	0%
A+	4,238,545	6%	4,932,394	15%	2,216,480	3%	4,664,418	17%
A	591,766	1%	1,440,291	4%	-	-	950,142	3%
A-	-	-	422,706	1%	-	-	422,706	2%
B	752,201	1%	10,849,973	32%	-	-	6,507,701	24%
Total	72,916,992	100%	33,582,999	100%	64,981,324	100%	27,497,475	100%

11.1.5 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary promissory notes as collateral for the loans granted.

11.1.6 Loans to life policyholders

The surrender value of insurance policies considered as the collateral for the loans given to life policy holders by Union Assurance PLC. System controls are in place to automatically convert a policy to lapse stage when the policy loan amount together with the interest is reaching the surrender value of the policy.

11.1.7 Preference Shares

Cumulative preference share investment which has lien over an asset, redeemable at the option of shareholder.

11.1.8 Interest rate swap

The Group has entered into interest rate swap that is a cash flow hedge. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships. Refer note 13.3

11.1.9 Trade and other receivables

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Neither past due nor impaired	9,882,277	4,555,606	20,618	48,574
Past due but not impaired				
0-30 days	4,343,193	3,165,628	19,454	40,889
31–60 days	923,115	1,938,832	9,121	4,684
61–90 days	681,878	651,984	33,376	864
> 91 days	362,362	747,916	12,805	10,719
Allowance for expected credit losses	1,314,335	1,135,977	14,555	10,198
Gross carrying value	17,507,160	12,195,943	109,929	115,928
Allowance for expected credit losses	(1,314,335)	(1,135,977)	(14,555)	(10,198)
Total	16,192,825	11,059,966	95,374	105,730

The Group has obtained customer deposit from major customers by reviewing their past performance and credit worthiness, as collateral. The requirement for an impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The individual receivable balances were re-assessed, specific provisions were made wherever necessary, existing practice on the provisioning of trade receivables were re-visited and adjusted to reflect the rearrangement of homogeneous groups which the COVID-19 outbreak has affected different types of customers. Receivable balances are monitored on an ongoing basis to minimize bad debt risk and to ensure default rates are kept very low whilst the improved operating environment itself during the financial year has resulted in improved collections.

11.1.10 Reinsurance receivables

The Union Assurance PLC operates a policy to manage its reinsurance counterparty exposures by limiting the reinsurers that may be used and applying strict limits each reinsurer.

11.1.11 Premium receivable

Only designated institutions are employed as intermediary parties by Union Assurance PLC. Agreements have been signed within the intermediaries committing them to settle dues within a specified time period.

11.1.12 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances. The Company balance consists of the balances from affiliate companies.

11.1.13 Credit risk relating to cash in hand and Bank Balance

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

11.2 Liquidity risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including debentures, bank loans, loan notes, overdrafts and finance leases over a broad spread of maturities.

11. Financial risk management objectives and policies (Contd.)

11.2.1 Net debt/(cash)

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Short term investments	69,262,761	38,457,970	51,591,037	27,372,003
Cash in hand and at bank	19,432,579	13,333,743	305,373	176,662
Adjustments to liquid assets	(6,937,193)	(6,251,879)	-	-
Total liquid assets	81,758,147	45,539,834	51,896,410	27,548,665
Interest-bearing loans and borrowings (Non-current)	118,965,640	50,925,346	44,179,490	289,705
Lease liabilities	24,234,968	19,910,124	-	-
Short term borrowings	6,903,737	5,803,771	-	-
Interest-bearing loans and borrowings (Current)	9,507,473	5,206,020	3,007,368	316,042
Lease liabilities (Current)	1,472,297	1,382,662	-	-
Bank overdrafts	11,820,179	17,679,471	9,783	1,417,148
Total liabilities	172,904,294	100,907,394	47,196,641	2,022,895
Net debt / (cash)	91,146,147	55,367,560	(4,699,769)	(25,525,770)

11.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach.

Group has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The business units matched cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement, or other secured borrowings.

The Group continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. Constant dialogue between Group companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Group.

The Government of Sri Lanka offered certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities for eligible industries. Group companies qualified for such relief measures and it helped ease the financial position further during the financial year.

The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2021 based on contractual undiscounted (principal plus interest) payments.

GROUP

In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	10,661,673	63,599,843	7,744,177	11,541,441	13,209,355	34,991,322	141,747,811
Lease liabilities	1,611,278	2,560,451	1,440,887	2,410,028	1,573,467	16,642,933	26,239,044
Interest rate swap	332,858	80,608	-	-	-	-	413,466
Trade and other payables	35,287,700	-	-	-	-	-	35,287,700
Amounts due to related parties	1,385	-	-	-	-	-	1,385
Short term borrowings	6,903,737	-	-	-	-	-	6,903,737
Other current financial liabilities	2,991,093	-	-	-	-	-	2,991,093
Bank overdrafts	11,820,179	-	-	-	-	-	11,820,179
	69,609,903	66,240,902	9,185,064	13,951,469	14,782,822	51,634,255	225,404,415

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2020 based on contractual undiscounted (principal plus interest) payments.

In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	9,720,905	12,181,923	44,183,327	1,600,058	376,823	338,234	68,401,270
Lease liabilities	2,565,337	2,578,140	2,602,566	2,165,463	3,232,001	17,102,235	30,245,742
Interest rate swap	204,881	273,958	65,808	-	-	-	544,647
Trade and other payables	23,881,479	-	-	-	-	-	23,881,479
Amounts due to related parties	2,073	-	-	-	-	-	2,073
Short term borrowings	5,803,771	-	-	-	-	-	5,803,771
Bank overdrafts	17,679,471	-	-	-	-	-	17,679,471
	59,857,917	15,034,021	46,851,701	3,765,521	3,608,824	17,440,469	146,558,453

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2021 based on contractual undiscounted (principal plus interest) payments.

In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 Years	Total
Interest-bearing loans and borrowings	4,071,811	3,796,671	4,223,052	6,577,937	10,264,328	31,489,326	60,423,125
Trade and other payables	372,711	-	-	-	-	-	372,711
Amounts due to related parties	13,181	-	-	-	-	-	13,181
Bank overdrafts	9,781	-	-	-	-	-	9,781
	4,467,484	3,796,671	4,223,052	6,577,937	10,264,328	31,489,326	60,818,798

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2020 based on contractual undiscounted (principal plus interest) payments.

In LKR '000s	Within 1 year	Between 1-2 years	Total
Interest-bearing loans and borrowings	329,785	294,027	623,812
Trade and other payables	423,393	-	423,393
Amounts due to related parties	777	-	777
Bank overdrafts	1,417,148	-	1,417,148
	2,171,103	294,027	2,465,130

11.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises of the following types of risk:
* Interest rate risk
* Currency risk
* Equity price risk
* Commodity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The sensitivity analyses in the following sections relate to the position as at 31 March in 2021 and 2020.

The analysis excludes the impact of movements in market variables on the carrying values of other post-retirement obligations, provisions, and the non-financial assets and liabilities.

The following assumptions have been made in calculating the sensitivity analyses:

* The sensitivity of the Statement of Financial Position item mainly relates to derivatives and debt instruments.

11. Financial risk management objectives and policies (Contd.)

* The sensitivity of the relevant Income Statement item is the effect of the assumed changes in respective market risks.

* This is based on the financial assets and financial liabilities held at 31 March 2020 and 2021.

11.3.1 Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The global outbreak of the COVID-19 pandemic has resulted in reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka which has resulted in a sharp reduction in lending rates. The Group has managed the risk of increased interest rates by having a balanced portfolio of borrowings at fixed and variable rates while interest rate swap agreements are in place for a significant portion of the Group's foreign currency borrowing portfolio.

The table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

For the year ended 31 March	Increase/ (decrease) in basis points		GROUP	COMPANY
	Rupee borrowings	Other currency borrowings	Effect on profit before tax LKR '000s	
2021	+411	+71	(1,730,706)	(736,264)
	-411	-71	1,730,706	736,264
2020	+308	+176	(1,052,247)	(1,066)
	-308	-176	1,052,247	1,066

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

11.3.2 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by Board of Directors.

11.3.2.1 Effects of currency transaction on forward contract
The table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. Currently these financial instruments are categerised under trade and other receivables.

For the year ended 31 March	GROUP Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s
2021	+ 7%	-
	- 7%	-
2020	+3%	(1,422)
	-3%	1,422

The assumed spread of the exchange rate is based on the current observable market environment.

11.3.2.2 Effects of currency translation

For purposes of the Group consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest and Taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

For the year ended 31 March	Increase/(decrease) in exchange rate USD	GROUP Effect on profit before tax LKR '000s	GROUP Effect on equity LKR '000s	COMPANY Effect on profit before tax LKR '000s
2021	+ 7%	2,186,890	7,286,362	763,078
	- 7%	(2,186,890)	(7,286,362)	(763,078)
2020	+3%	1,367,126	2,663,311	609,329
	-3%	(1,367,126)	(2,663,311)	(609,329)

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

The Sri Lankan Rupee witnessed significant volatility during 2020/21 on the back of the COVID-19 pandemic and macro-economic pressures. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from currency fluctuations by matching liabilities with corresponding inflows and entering into forward exchange rate agreements, where applicable. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances while also ensuring obligations can be managed through US Dollar denominated revenue streams.

11.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

11.3.3.1 Financial assets at fair value through Profit and loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

The Colombo Stock Exchange re-commenced trading in May 2020 and by 31 March 2021 investor sentiment had improved significantly, providing an active market for price discovery. Therefore, all the listed equity instruments were measured based on the prices available as of 31 March 2021.

As at 31 March	GROUP 2021 LKR '000s	2021 %	GROUP 2020 LKR '000s	2020 %
Banks	1,400,564	40%	1,719,613	60%
Capital goods	675,286	20%	219,900	8%
Consumer durables & apparel	347,799	10%	137,723	5%
Consumer services	23,841	1%	22,803	1%
Diversified financials	-	-	74,336	2%
Food & staples retailing	269,082	8%	128,783	4%
Food beverage & tobacco	565,561	16%	285,721	10%
Materials	-	-	247,892	9%
Telecommunication services	189,133	5%	33,174	1%
	3,471,266	100%	2,869,945	100%

11.3.3.2 Financial instruments at fair value through other comprehensive income statement

All unquoted equity investments are made after obtaining Board of Directors approval.

11.3.3.3 Sensitivity analysis

The table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant, of the Group and Company's profit before tax and equity due to changes in the fair value of the listed equity securities.

11. Financial risk management objectives and policies (Contd.)

11.3.3.3 Sensitivity analysis (Contd.)

		GROUP	
For the year ended 31 March	Change in year-end market price index	Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2021	+42%	1,457,932	-
	-42%	(1,457,932)	-
2020	+13%	373,093	-
	-13%	(373,093)	-

11.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	GROUP		COMPANY	
As at 31 March	2021	2020	2021	2020
Debt / Equity	71.2%	41.4%	35.0%	1.6%

12. Fair value measurement and related fair value disclosures

Fair value measurement

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are only, disclosed are reflected in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

- Investment in unquoted equity shares - Note 28.1
- Property, plant and equipment under revaluation model - Note 22.3
- Investment properties - Note 24
- Financial Instruments (including those carried at amortised cost) - Note 13

Accounting policy

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted equity instruments, and for non-recurring measurement, such as assets held for sale in discontinued operations.

The services of external valuers are obtained for valuation of significant assets, such as land and building and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

12.1 Fair value measurement hierarchy - Group

The Group held the following financial instruments carried at fair value in the Statement of Financial Position:

		Level 1		Level 2		Level 3		Total	
As at 31 March In LKR '000s		2021	2020	2021	2020	2021	2020	2021	2020
FINANCIAL ASSETS									
Non-listed equity investments		-	-	280	280	147,346	144,088	147,626	144,368
Listed equity investments		4,050,765	104,839	86	2,870,071	-	-	4,050,851	2,974,910
Quoted debt instruments		7,751,585	8,184,761	289,214	176,639	-	-	8,040,799	8,361,400
Unquoted debt instruments		-	-	21,119	10,549	-	-	21,119	10,549
Interest rate swap		-	-	729,316	-	-	-	729,316	-
Total		11,802,350	8,289,600	1,040,015	3,057,539	147,346	144,088	12,989,711	11,491,227
NON FINANCIAL ASSETS									
Assets measured at fair value	Note								
Land and buildings	22.1	-	-	-	-	60,549,380	60,349,598	60,549,380	60,349,598
Buildings on leasehold land	22.1	-	-	-	-	30,092,912	26,834,918	30,092,912	26,834,918
Investment property	24	-	-	-	-	14,754,571	15,007,996	14,754,571	15,007,996
Total		-	-	-	-	105,396,863	102,192,512	105,396,863	102,192,512

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

All the other financial instruments were properly categorized and during the period were not materially different from the transaction prices at the date of initial recognition. The fair value changes on financial instruments in Level 3 category was properly recorded in the statement of other comprehensive income Fair valuation was done as of 31 March 2021.

Financial assets at fair value through Profit and loss

There may be an increase in the amount of subjectivity involved in fair value measurements, and as such, a greater use of unobservable inputs will be required because relevant observable inputs are no longer available. This will have a direct impact to the policyholder profit or loss where diversification of the portfolio with the unaffected and growing industries will mitigate the risk.

The Colombo Stock Exchange re-commenced trading in May 2020 and by 31 March 2021, investor sentiment has improved significantly, providing an active market for price discovery. Therefore, the fair value of the equity portfolio as of 31 March 2021 was determined based on the closing prices available as of 31 March 2021.

12.2 Fair value measurement hierarchy - Company

FINANCIAL ASSETS	Level 2		Level 3	
As at 31 March In LKR '000s	2021	2020	2021	2020
Non-listed equity investments	-	-	92,346	89,049
Interest rate swap	729,316	-	-	-
	729,316	-	92,346	89,049

12. Fair value measurement and related fair value disclosures (Contd.)

12.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares are classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In LKR '000s	GROUP	COMPANY
	Fair Value through other comprehensive income	
As at 1 April 2020	144,088	89,049
Remeasurement recognised in OCI	3,258	3,297
As at 31 March 2021	147,346	92,346

Fair valuation done as at 31 March 2021 for all unquoted equity shares are classified as Level 3 within the fair value hierarchy using fair valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

13. Financial instruments and related policies

Accounting policy

Financial instruments — Initial recognition and subsequent measurement

Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Debt instruments

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables and short term investments.

Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity Instruments

Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as finance income in the statement of profit or loss when the right of payment has been established.

Dividends received from equity instruments have been disclosed in note no 17 (finance income expense note).

Financial assets - derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets

From 31 March 2021, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income statement.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

13. Financial instruments and related policies (Contd.)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

13.1 Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

As at 31 March In LKR '000s	Financial assets at amortised cost		Financial assets at fair value through OCI	
	2021	2020	2021	2020
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets/liabilities	54,880,163	32,833,447	7,577,462	7,105,176
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / payables	17,456,698	12,186,327	-	-
Amounts due from / due to related parties	123,553	389,766	-	-
Short term investments / Short term borrowings	61,232,588	34,211,765	321,874	1,063,001
Cash in hand and at bank	19,432,579	13,333,743	-	-
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Other current financial liabilities	-	-	-	-
Bank overdrafts	-	-	-	-
Total	153,125,581	92,955,048	7,899,336	8,168,177

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

As at 31 March In LKR '000s	Financial assets at amortised cost		Financial assets at fair value through OCI	
	2021	2020	2021	2020
Financial instruments in non-current assets/non-current liabilities				
Non-current financial assets	17,518,775	195,929	92,346	89,049
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables / payables	114,780	125,451	-	-
Amounts due from / due to related parties	1,465,816	681,617	-	-
Short term investments / Short term borrowings	51,591,037	27,372,003	-	-
Cash in hand and at bank	305,373	176,662	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	70,995,781	28,551,662	92,346	89,049

Derivative financial instruments and hedge accounting - Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

Financial assets at fair value through profit or loss		Derivative financial instruments		Total		Financial liabilities measured at amortised cost/fair value	
2021	2020	2021	2020	2021	2020	2021	2020
132,178	139,846	-	-	62,589,803	40,078,469	3,660,952	3,619,863
-	-	-	-	-	-	118,965,640	50,925,346
-	-	-	-	-	-	24,234,968	19,910,124
-	-	-	-	17,456,698	12,186,327	35,287,700	23,881,479
-	-	-	-	123,553	389,766	1,385	2,073
7,708,299	3,183,204	-	-	69,262,761	38,457,970	6,903,737	5,803,771
-	-	-	-	19,432,579	13,333,743	-	-
-	-	-	-	-	-	9,507,473	5,206,020
-		-	-	-	-	1,472,297	1,382,662
-	-	-	-	-	-	2,991,093	-
-	-	-	-	-	-	11,820,179	17,679,471
7,840,477	3,323,050	-	-	168,865,394	104,446,275	221,749,164	128,410,809

Total		Financial liabilities measured at amortised	
2021	2020	2021	2020
17,611,121	284,978	-	-
-	-	44,179,490	289,705
114,780	125,451	372,711	423,393
1,465,816	681,617	13,181	777
51,591,037	27,372,003	-	-
305,373	176,662	-	-
-	-	3,007,368	316,042
-	-	9,783	1,417,148
71,088,127	28,640,711	47,582,533	2,447,065

13. Financial instruments and related policies (Contd.)

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

The management assessed that, cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

13.3 Derivative financial instruments

	GROUP				COMPANY			
	Contract notional amount In USD '000s		Fair value In LKR '000s		Contract notional amount In USD '000s		Fair value In LKR '000s	
As at 31 March Cash-flow hedges	2021	2020	2021	2020	2021	2020	2021	2020
Interest rate swap - Derivative Liability	129,500	129,500	(413,466)	(544,645)	-	-	-	-
Interest rate swap - Derivative Asset	100,000	-	729,316	-	100,000	-	729,316	-

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible.

Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Notes to the Income Statement, Statement of Comprehensive Income and Statement of Financial Position

14. Revenue

Accounting policy

14.1 Total revenue

14.1.1 Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

Services transferred over time

Under SLFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

14.1.2 Revenue from insurance contracts

Revenue from insurance contracts comprise of gross written premiums net of premium ceded to reinsurers.

14.2 Disaggregation of revenue

The Group presented disaggregated revenue with Group’s reportable segments based on timing of revenue recognition and geographical region in the operating segment information section.

For the year ended 31 March In LKR ‘000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Timing of revenue recognition					
Goods transferred at a point in time		105,427,158	106,372,880	-	-
Services transferred over time		9,027,325	21,461,944	1,637,063	1,462,190
Total revenue from contracts with customers	14.1.1	114,454,483	127,834,824	1,637,063	1,462,190
Revenue from insurance contracts	14.1.2	13,221,167	11,120,928	-	-
Total revenue		127,675,650	138,955,752	1,637,063	1,462,190

14.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue for each reportable segment has been provided in the operating segment information section.

14.4 Contract balances

Contract assets

Contract assets are the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed.

As at / for the year ended 31 March In LKR ‘000s	Note	Contract balances 2021	Contract balances 2020	Performance obligations satisfied 2021	Performance obligations satisfied 2020
Contract assets		-	-	194	891
Contract liabilities					
Other non current liabilities	40	19,386,170	9,407,028	20,600	19,327
Trade and other payables	41	112,665	72,868	219,701	579,775
Other current liabilities	43	758,085	877,378	783	1,819
		20,256,920	10,357,274	241,278	601,812

14. Revenue (Contd.)

14.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Transportation

This operating segment provides an array of transportation related services, which primarily include a marine bunkering business, shipping, logistics and air transportation multinationals as well as travel and airline services. In providing airline services, net revenue is recognised at a point in time upon the sale of tickets as the entity is deemed as the agent. Total transaction price is comprised of cost and commission which is equal to the total ticketing service fee.

In providing Marine Services, the principal activity of the entity is to supply bunker services to their customers, in exchange for a bunker fee. The performance obligation can be termed as bunkering services. Revenue is recognised at a point in time, upon supply of the bunker to the vessels. Transaction price shall comprise of cost and mark up which is equal to total bunkering fee.

Consumer Foods

Consumer Foods segment focuses on manufacturing of a wide range of beverages, frozen confectionary, processed meat and dairy products. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

Retail

The Retail segment focuses on modern organised retailing through a chain of supermarkets. The office automation business comprises of distribution of printers, copiers, smart phones and other office automation equipment.

Revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Customers who purchase from outlets may enter the entity's customer loyalty programme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price.

Leisure

Leisure segment comprises of city hotels, resort hotels, as well as destination management business.

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

In providing destination management services, the entity acts as the principal. Customer receives and consumes the benefits of the entity's performance, as and when the service is performed. Therefore, revenue is recognised at gross over the period, based on the output method. The timing and the amount of cashflow will vary according to the agreements.

Transaction price shall comprise of supplier fee and company mark-up, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

Property

Property segment concentrates primarily on property development, renting of office, retail space and management of the Group's real estate.

At inception of the contract, the entity determines whether it satisfies the performance obligation over time or at a point in time. Timing and amount of cashflow will be determined according to the agreement.

Financial Services

Financial Services provides a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing. The services under one contract can be identified as one performance obligation.

Entity determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the entity recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The output method will provide a faithful depiction in recognising revenue.

Others

Others represents companies in the Plantation Industry, Information Technology, Management and Investments companies. The main streams of revenue; Management fees, BPO service fees and Consultancy fees, are recognised over a period of time, depending on service level agreements.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Remaining performance obligations

The Group applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2021.

15. Dividend income

Accounting policy

Dividend

Dividend income is recognised when right to receive the payment is established.

For the year ended 31 March In LKR '000s	COMPANY 2021	 2020
Dividend income from investments in subsidiaries and equity accounted investees	8,346,260	6,367,610

16. Other operating income and other operating expenses

Accounting policy

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Any losses arising from guaranteed rentals are accounted for, in the year of incurring the same. A provision is recognised if the projection indicates a loss.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

16.1 Other operating income

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	2021	2020	2021	2020
Promotional income and commission fee	1,373,842	1,610,234	-	-
Exchange gains	267,100	25,178	-	-
Profit on sale of property, plant and equipment	-	-	-	1,646
Profit on sale of non current investments	-	-	-	2,008
Write back of dealer deposits	17,761	10,850	-	-
Sundry income	967,841	595,489	40,610	42,083
	2,626,544	2,241,751	40,610	45,737

16.2 Other operating expenses

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	2021	2020	2021	2020
Nation building tax	-	916,107	-	20,324
Loss on sale of property, plant and equipment and intangible assets	6,005	97,007	-	-
Impairment losses on non financial assets	69,660	1,108	-	-
Heat, light and power	472,037	648,780	-	-
Other overheads	766,707	1,209,906	21,473	5,615
	1,314,409	2,872,908	21,473	25,939

17. Net finance income

Accounting policy

Finance income

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

	GROUP		COMPANY	
For the year ended 31 March **In LKR '000s**	**2021**	**2020**	**2021**	**2020**
Net finance income				
Finance income				
Interest income	8,616,055	7,044,680	2,964,036	1,833,401
Dividend income on				
Financial assets at fair value through profit or loss	136,895	181,795	-	-
Financial assets at fair value through other comprehensive income	17,214	29,731	11,385	27,962
Fair value gains on financial assets at fair value through profit or loss	351,012	211,281	-	-
Investment related direct expenses	(74,362)	(71,124)	-	-
Exchange gains	1,641,908	1,960,979	1,641,908	1,960,979
Total finance income	10,688,722	9,357,342	4,617,329	3,822,342
Finance cost				
Interest expense on borrowings	(2,891,345)	(1,883,689)	(1,244,941)	(237,046)
Finance charge on lease liabilities	(1,503,908)	(1,220,822)	-	-
Realised loss on financial assets at fair value through profit or loss	(273,953)	(61,008)	-	-
Total finance cost	(4,669,206)	(3,165,519)	(1,244,941)	(237,046)
Net finance income	6,019,516	6,191,823	3,372,388	3,585,296

18. Profit before tax

Accounting policy

Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

	GROUP		COMPANY	
For the year ended 31 March **In LKR '000s**	**2021**	**2020**	**2021**	**2020**
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	346,453	357,858	103,808	118,766
Remuneration to non executive directors	34,749	47,623	11,460	17,940
Costs of defined employee benefits				
Defined benefit plan cost	438,382	430,500	21,709	23,173
Defined contribution plan cost - EPF and ETF	1,068,968	1,080,749	56,332	57,061
Other long term employee benefits cost	213,027	175,236	44,043	42,753
Staff expenses	13,621,362	13,397,240	476,165	553,433
Share based payments	225,007	328,425	66,035	87,085
Auditors' remuneration				
Audit	49,352	48,846	9,586	6,966
Non-audit	6,202	4,676	2,520	2,756
Depreciation of property, plant and equipment	4,725,534	4,185,820	42,629	33,532
Amortisation of intangible assets	641,563	502,844	30,631	24,687
Amortisation of right of use assets	2,619,179	2,265,955	-	-
Impairment losses	69,660	1,108	-	-
Loss on sale of property, plant and equipment and intangible assets	6,005	97,007	-	(1,646)
Donations	7,074	4,872	5,000	3,505

19. Earnings per share

Accounting policy
Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

19.1 Basic earnings per share

		GROUP	
For the year ended 31 March	**Note**	**2021**	**2020**
Profit attributable to equity holders of the parent		4,772,100	9,413,788
Weighted average number of ordinary shares	19.3	1,318,805	1,318,217
Basic earnings per share		3.62	7.14

19.2 Diluted earnings per share

Profit attributable to equity holders of the parent		4,772,100	9,413,788
Adjusted weighted average number of ordinary shares	19.3	1,318,805	1,318,891
Diluted earnings per share		3.62	7.14

19.3 Amount used as denominator

	GROUP	
For the year ended 31 March Number of shares In '000s	**2021**	**2020**
Ordinary shares at the beginning of the year	1,318,551	1,318,173
Effect of share options exercised	254	44
Weighted average number of ordinary shares in issue before dilution	1,318,805	1,318,217
Effects of dilution from:		
Share option scheme	-	674
Adjusted weighted average number of ordinary shares	1,318,805	1,318,891

20. Dividend per share

	COMPANY			
For the year ended 31 March	**2021**		**2020**	
	LKR	**In LKR '000s**	**LKR**	**In LKR '000s**
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	-	-	1.00	1,318,173
Interim dividends	1.50	1,978,317	2.50	3,295,960
Total dividend	1.50	1,978,317	3.50	4,614,133

21. Taxes

Accounting policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deducible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) tax holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

21. Taxes (Contd.)

21.1 Tax expense

For the year ended 31 March In LKR '000s		GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Income statement					
Current tax charge	21.5	2,169,340	1,878,025	801,201	614,311
(Over)/Under provision of current tax of previous years		(46,189)	(5,110)	-	-
Irrecoverable economic service charge	21.7	163,682	4,682	-	-
Withholding tax on inter company dividends and other taxes		-	122,582	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	(792,558)	662,084	-	-
	21.6	1,494,275	2,662,263	801,201	614,311
Other comprehensive income					
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	135,306	313,423	-	-
		135,306	313,423	-	-

21.2 Deferred tax expense

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	31,487	(16,861)
Revaluation of investment property to fair value	(212,179)	116,562
Retirement benefit obligations	71,433	(35,277)
Benefit arising from tax losses	(626,830)	575,652
Others	(56,469)	22,008
Deferred tax charged/(reversal) directly to Income Statement	(792,558)	662,084
Other comprehensive income		
Deferred tax expense arising from;		
Actuarial losses on defined benefit obligations	(19,781)	16,623
Revaluation of land and building to fair value	155,087	277,980
Net gain/loss on financial assets at fair value through OCI	-	18,820
Deferred tax charged/(reversal) directly to OCI	135,306	313,423

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to LKR. 2,880 Mn (2020 - LKR. 3,100 Mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

The Inland Revenue (Amendment) Bill, to amend the Inland Revenue Act, No. 24 of 2017, incorporating announcements implemented by the Inland Revenue Circular Nos. PN/IT/2020-03 (Revised) and PN/IT/2021-01 was Gazetted on 18 March 2021.

As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Group's management, having applied significant judgement, have concluded the provisions of the Inland Revenue (Amendment) Bill to be substantially enacted, and have relied upon the income tax rates specified therein to calculate the income tax liability and deferred tax provision for the 2020/21 financial year of the Group.

21.3 Income tax liabilities

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
At the beginning of the year	1,747,597	1,504,819	389,510	225,587
Charge for the year	1,880,815	1,821,725	801,201	614,311
Payments and set off against refunds	(1,640,242)	(1,578,947)	(473,682)	(450,388)
At the end of the year	1,988,170	1,747,597	717,029	389,510

21.4 Deferred tax

	GROUP			
	ASSETS		LIABILITIES	
As at 31 March In LKR '000s	2021	2020	2021	2020
At the beginning of the year	902,382	1,252,978	8,294,955	7,756,673
Charge and release	136,159	(368,492)	(574,844)	607,015
Transfers / exchange translation adjustments	50,486	17,896	-	(68,733)
At the end of the year	1,089,027	902,382	7,720,111	8,294,955
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	(24,215)	(24,646)	4,684,580	4,927,392
Revaluation of investment property to fair value	8,735	(2,587)	876,082	338,989
Accelerated depreciation for tax purposes	172,231	295,829	2,625,177	2,935,088
Employee benefit liability	35,783	39,104	(553,452)	(276,732)
Losses available for offset against future taxable income	971,047	679,832	(313,715)	(125,756)
Net gain/loss on fair value through OCI	(35,956)	(54,779)	-	-
Others	(38,598)	(30,371)	401,439	495,974
	1,089,027	902,382	7,720,111	8,294,955

A deferred tax liability for the Group amounting to LKR. 490 Mn (2020 – LKR. 490 Mn) has been recognised based on the impact of declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

Accounting judgements, estimates and assumptions
The Group is subject to income tax and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax law at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has tax contingent amounting to LKR. 1,999 Mn (2020 – LKR. 2,055 Mn). These have been arrived at after discussing with independent legal and tax experts and based on information available. All assumptions are revisited as of the reporting date.

21. Taxes (Contd.)

21.5 Reconciliation between current tax charge and the accounting profit

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Profit before tax	5,445,166	12,403,058	11,367,088	9,253,851
Dividend income from Group companies	9,342,572	7,907,867	-	-
Share of results of equity accounted investees (net of tax)	(4,158,793)	(4,466,457)	-	-
Other consolidation adjustments	7,965	426,233	-	-
Profit after adjustment	10,636,910	16,270,701	11,367,088	9,253,851
Exempt profits	(2,385,008)	(492,229)	(2,887,711)	-
Income not liable for income tax	(1,573,563)	(996,950)	(1,568,812)	(376,105)
Resident dividend	(4,430,382)	(3,652,657)	(1,711,746)	(3,187,351)
Adjusted accounting profit chargeable to income taxes	2,247,957	11,128,865	5,198,819	5,690,395
Disallowable expenses	12,349,659	9,363,417	1,215,376	575,613
Allowable expenses	(11,977,525)	(8,717,930)	(252,858)	(2,446,085)
Utilisation of tax losses	(2,657,979)	(2,822,950)	-	-
Current year tax losses not utilised	7,379,636	727,609	-	-
Qualifying payment deductions	(909)	(4,837)	(15,852)	-
Taxable income	7,730,839	9,674,174	6,145,485	3,819,923
Income tax charged at:				
Standard rate of	603,116	923,000	-	165,160
Other concessionary rates	1,566,224	955,025	801,201	449,151
Current tax charge	2,169,340	1,878,025	801,201	614,311

21.6 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Adjusted accounting profit chargeable to income taxes	2,247,957	11,128,865	5,198,819	5,690,395
Tax effect on chargeable profits	1,329,595	2,113,247	727,834	584,716
Tax effect on non deductible expenses	299,187	579,879	41,831	56,678
Tax effect on deductions claimed	(408,463)	(322,357)	(2,219)	(1,014)
Net tax effect of unrecognised deferred tax assets for the year	(144,843)	22,397	33,755	(26,069)
Net tax effect of unrecognised deferred tax assets for prior years	13,106	162,255	-	-
Under/(over) provision for previous years	(46,189)	(5,110)	-	-
Deferred tax due to carried forward tax losses	545,981	(43,891)	-	-
Deferred tax due to rate differentials	(257,781)	(1,421)	-	-
Other income based taxes:				
Irrecoverable economic service charge	163,682	4,682	-	-
Withholding tax on inter-company dividends	-	122,582	-	-
Deferred tax on withholding tax of affiliated companies dividends	-	30,000	-	-
Tax expense	1,494,275	2,662,263	801,201	614,311

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

21.7 Economic Service Charge (ESC)

For the year ended 31 March In LKR '000s	GROUP 2021	 2020
Irrecoverable Economic Service Charge (ESC)	163,682	4,682
	163,682	4,682

21.8 Tax losses carried forward

For the year ended 31 March In LKR '000s	GROUP 2021	 2020	COMPANY 2021	 2020
Tax losses brought forward	6,643,853	8,823,877	1,230,471	1,230,471
Adjustments on finalisation of liability	(113,857)	(163,390)	-	-
Tax losses arising during the year	7,430,517	806,316	-	-
Utilisation of tax losses	(2,657,979)	(2,822,950)	-	-
	11,302,534	6,643,853	1,230,471	1,230,471

The Group has tax losses amounting to LKR. 11,303 Mn (2020 - LKR. 6,644 Mn) that are available to offset against future taxable profits of the companies in which the tax losses arose.

21.9 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 24% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act			
John Keells Properties Ja-Ela (Pvt) Ltd	New undertaking engaged in construction of commercial buildings	Exempt	9 years from 1st April 2015
Saffron Aviation (Pvt) Ltd	Domestic airline	- do -	8 years from 1st year of profit or 2 years from operations
Sancity Hotels & Properties Ltd (Subsidiary of Capitol Hotel Holdings (Pvt) Ltd)	Construction and operation of a tourist hotel	- do -	12 years from 1st year of profit or 2 years from operations
John Keells Information Technology (Pvt) Ltd	Information technology services	- do -	Open ended
John Keells International (Pvt) Ltd	Exporting services	- do -	- do -
Infomate (Pvt) Ltd	IT enabled services	- do -	- do -
Ceylon Cold Stores PLC	Foreign sourced income	- do -	- do -
John Keells Office Automation (Pvt) Ltd	Off shore business income	- do -	- do -
Tea Smallholder Factories PLC	Agro Processing	14%	- do -
Lanka Marine Services (Pvt) Ltd	Qualified export profits	- do -	- do -
Leisure sector	Promotion of tourism	- do -	- do -
Consumer Foods sector	Export of goods	- do -	- do -
Mackinnons Mackenzie shipping (Pvt) Ltd	Shipping agent	- do -	- do -

21. Taxes (Contd.)

21.9 Applicable rates of income tax (Contd.)

Company / Sector	Basis	Exemptions or concessions	Period
Consumer Foods and Retail sector			
Asian Hotels and Properties PLC	Construction and operation of office, apartment complex and a hotel	2% of turnover	15 years from 1 April 2014
Beruwala Holiday Resorts (Pvt) Ltd	Construction and operation of a tourist hotel	Exempt	8 years from 1 year of profit or 2 years from operations
Trinco Holiday Resorts (Pvt) Ltd	For upgrading and refurbishment of a hotel in the Eastern province	- do -	10 years from 1st year of profit or 2 years from operations
Infomate (Pvt) Ltd	IT enabled services	20%	Concessionary rate of 20% until closure of business
John Keells Logistics (Pvt) Ltd (Sites covered by the BOI agreement)	Warehousing	- do -	- do -
Waterfront Properties (Pvt) Ltd	Integrated super luxury tourist resort	Exempt	10 years from 1st year of profit or 3 years from operations

Capital gains from sale of listed shares are exempted from chargeability to income tax. Income/profits from offshore dividends and interest are exempt from income tax. Effective from 1 January 2020, exemption is available on interest income earned in foreign currency denominated accounts opened with the approval of the Central Bank, gains and profits from services rendered in or outside Sri lanka to be utilised outside Sri Lanka where the payments is received in foreign currency through a bank in Sri lanka and dividend received from another resident company is subject to income tax at a concessionary rate of 14% and an exemption on dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident.

21.10 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt) Ltd	30.9%
	Serene Holidays (Pvt) Ltd	25.0%
Mauritius	John Keells BPO Holdings (Pvt) Ltd	3%(Effective)
	John Keells BPO International (Pvt) Ltd	3%(Effective)
Republic of Maldives	Fantasea World Investments (Pte) Ltd	15%
	Tranquility (Pte) Ltd	15%
	Travel Club (Pte) Ltd	15%
	John Keells Maldivian Resorts (Pte) Ltd	15%
	Mack Air Services Maldives (Pte) Ltd	15%
Singapore	John Keells Singapore (Pte) Ltd	17% (Max)

22. Property , plant and equipment

Accounting policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.
A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued by professional valuers at least every 3 years.

Derecognition
An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation
Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings (other than hotels)	50
Hotel buildings	up to 70
Plant and machinery	10 – 25
Equipment	2– 15
Furniture and fittings	2– 15
Motor vehicles	4 – 10
Returnable Containers	10
Vessels	10-25

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of property plant and equipment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic as each business unit implemented its business continuity plans which were operationalised during the early days of the pandemic. Businesses also developed and instituted COVID-19-specific response plans and teams to enable smooth and uninterrupted functioning of businesses and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations in situations where normal operations are disrupted.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

22. Property , plant and equipment (Contd.)

22.1 Property , plant and equipment - Group

As at 31 March In LKR '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
Cost or valuation				
At the beginning of the year	61,384,997	30,615,473	15,324,453	13,839,202
Additions	33,807	1,035,142	713,591	775,379
Disposals	-	(13,481)	(84,812)	(259,613)
Revaluations	316,726	160,304	-	-
Transfers (from revaluation adjustment)	(212,178)	(444,722)	-	-
Impairment/ Derecognition	-	-	-	-
Transfers	156,142	2,703,080	510,726	1,124,323
Exchange translation difference	-	695,305	1,132	159,385
At the end of the year	61,679,494	34,751,101	16,465,090	15,638,676
Accumulated depreciation and impairment				
At the beginning of the year	(1,035,399)	(3,780,555)	(6,321,197)	(7,090,423)
Charge for the year	(306,892)	(1,155,563)	(1,040,561)	(1,438,953)
Disposals	-	3,962	86,372	194,340
Transfers (from revaluation adjustment)	212,177	444,723	-	-
Impairment	-	-	-	-
Transfers	-	-	-	490
Exchange translation difference	-	(170,756)	33,546	(66,864)
At the end of the year	(1,130,114)	(4,658,189)	(7,241,840)	(8,401,410)
Carrying value				
As at 31 March 2021	60,549,380	30,092,912	9,223,250	7,237,266
As at 31 March 2020	60,349,598	26,834,918	9,003,256	6,748,779

22.2 Property , plant and equipment - Company

As at 31 March In LKR '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2021	Total 2020
Cost					
At the beginning of the year	3,768	299,825	50,162	353,755	344,585
Additions	253	8,824	-	9,077	23,601
Disposals	(567)	(15,490)	-	(16,057)	(14,431)
At the end of the year	3,454	293,159	50,162	346,775	353,755
Accumulated depreciation and impairment					
At the beginning of the year	(3,736)	(186,615)	(19,051)	(209,402)	(184,043)
Charge for the year	(15)	(34,670)	(7,944)	(42,629)	(33,532)
Disposals	567	15,490	-	16,057	8,173
At the end of the year	(3,184)	(205,795)	(26,995)	(235,974)	(209,402)
Carrying value					
As at 31 March 2021	270	87,364	23,167	110,801	
As at 31 March 2020	32	113,210	31,111		144,353

Motor vehicles Freehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2021	Total 2020
767,738	941,469	5,925,209	1,003,576	4,939,524	134,741,640	117,935,817
60,960	7,375	349,480	62,913	2,328,372	5,367,019	15,211,909
(52,639)	(13,731)	(162,480)	-	(24,326)	(611,082)	(1,091,032)
-	-	-	-	-	477,030	2,855,920
-	-	-	-	-	(656,900)	(510,617)
-	-	-	-	(69,660)	(69,660)	(18,668)
2,251	-	131,134	-	(4,646,397)	(18,741)	(649,302)
(1,433)	-	8,255	-	(38,336)	824,308	1,007,613
776,877	935,113	6,251,598	1,066,489	2,489,177	140,053,614	134,741,640
(475,025)	(641,586)	(3,566,987)	(296,709)	-	(23,207,882)	(20,247,329)
(62,736)	(62,076)	(536,436)	(122,317)	-	(4,725,534)	(4,185,820)
50,793	13,685	150,286	-	-	499,438	903,361
-	-	-	-	-	656,900	510,617
-	-	-	-	-	-	17,560
-	-	-	-	-	490	99,432
6,888	-	(3,198)	-	-	(200,384)	(305,702)
(480,080)	(689,977)	(3,956,336)	(419,026)	-	(26,976,972)	(23,207,881)
296,797	245,136	2,295,262	647,463	2,489,177	113,076,642	
292,713	299,883	2,358,222	706,867	4,939,524		111,533,759

22.3 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The most recent revaluation was carried out on 31 December 2020.

The changes in fair value are recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The valuations as of 31 December 2020 were contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

22. Property , plant and equipment (Contd.)

22.3 Revaluation of land and buildings (Contd.)

Details of Group's land, building and other properties stated at valuation are indicated below;

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
Land and Building						
Asian Hotels & Properties PLC	P B Kalugalagedara	DCC	LKR 16,500,000 - LKR 19,000,000	LKR 2,000 - LKR 13,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd	-do-	DCC	LKR 800,000 - LKR 1,000,000	LKR 3,000 - LKR 10,250	-	Positive
Ceylon Cold Stores PLC	-do-	DCC	LKR 170,000 - LKR 200,000	LKR 1,000 - LKR 2,000	-	Positive
Kandy Walk Inn Ltd	S Fernando	OMV	LKR 10,000 - LKR 1,175,000	LKR1,000 - LKR9,000	-	Positive
Keells Food Products PLC	P B Kalugalagedara	DCC	LKR 40,000 - LKR 550,000	LKR 400 - LKR 3,150	-	Positive
Keells Realtors Ltd	-do-	OMV	LKR 1,500,000 - LKR 2,250,000	LKR500 - LKR1,500	-	Positive
Mackinnons Keells Ltd	-do-	DCC	LKR 9,000,000	LKR1,900	-	Positive
Nuwara Eliya Holiday Resort (Pvt) Ltd	S Fernando	DCC	LKR 515,000 - LKR 655,000	-	-	Positive
Tea Smallholder Factories PLC	K T D Tissera	DCC	LKR 5,000 - LKR 28,125	LKR 500 - LKR 2,000	-	Positive
Trinco Holiday Resort (Pvt) Ltd	P B Kalugalagedara	DCC	LKR 350,000	LKR1,000 - LKR 7,000	-	Positive
Union Assurance PLC	-do-	DCC	LKR 7,500,000 - LKR 18,000,000	LKR 500 - LKR 5,750	-	Positive
Vauxhall Land Developments (Pvt) Ltd	-do-	OMV	LKR 15,500,000	-	-	Positive
Buildings on leasehold land						
Ceylon Holiday Resorts Ltd	P B Kalugalagedara	OMV	-	LKR1,800 - LKR3,850	-	Positive
Keells Food Products PLC	-do-	DCC	-	LKR150 - LKR1,500	-	Positive
Habarana Lodge Ltd	S Fernando	DCC	-	LKR 500 - LKR 8,000	-	Positive
Habarana Walk Inn Ltd	-do-	DCC	-	LKR 1,000 - LKR 6,000	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd	P B Kalugalagedara	DCC	-	LKR 2,500 - LKR 5,400	-	Positive
Jaykay Marketing Service (Pvt)Ltd	-do-	IM	-	-	6%	Negative
John Keells Warehousing (Pvt) Ltd	K T D Tissera	IM	-	LKR 800 - LKR 3,000	-	Positive
Rajawella Holdings Ltd	P B Kalugalagedara	DCC	-	LKR 2,000 - LKR 10,800	-	Positive
Trans Asia Hotels PLC	-do-	DCC	-	LKR 400 - LKR 7,500	-	Positive
Yala Village (Pvt) Ltd	-do-	DCC	-	LKR 2,450 - LKR 7,350	-	Positive

Effective date of valuation was 31 December 2020.

Summary description of valuation methodologies;

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current building costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

22.4 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

	GROUP	
As at 31 March **In LKR '000s**	**2021**	**2020**
Cost	40,027,371	38,080,369
Accumulated depreciation and impairment	(3,732,917)	(3,262,225)
Carrying value	36,294,454	34,818,144

Group land and buildings with a carrying value of LKR 3,878 Mn (2020 - LKR. 3,887 Mn) have been pledged as security for term loans obtained, details of which are disclosed in note 37.2.

Group property, plant and equipment with a cost of LKR 7,628 Mn (2020 - LKR. 6,365 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to LKR. 605 Mn (2020 – LKR. 611 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2021 was LKR. 2,868 Mn (2020 - LKR. 1,934 Mn).

23. Right of use assets and lease liabilities

Accounting Policy

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group uses 6 months AWPLR based plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group. Quarterly calculated incremental borrowing rates were used to discount new leases obtained during the year.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic as each business unit implemented its business continuity plans which were operationalised during the early days of the pandemic. Businesses also developed and instituted COVID-19 specific response plans and teams to enable smooth and uninterrupted functioning of businesses and operations to the extent possible, whilst maintaining strict adherence to Government directives and health and safety considerations in situations where normal operations are disrupted.

23. Right of use assets and lease liabilities (Contd.)

23.1 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the year ended 31 March 2021.

23.1.1 Right of use assets

In LKR '000s	Lease hold properties	Motor Vehicles	Total 2021	Total 2020
At the beginning of the year	37,080,343	89,927	37,170,270	13,629,028
Additions	4,585,193	2,956	4,588,149	9,283,645
Disposals	(2,624)	(3,203)	(5,827)	-
Transfers (SLFRS 16 initial recognition)	-	-	-	14,829,336
Amortisation expense	(2,578,634)	(40,545)	(2,619,179)	(2,265,955)
Exchange difference	1,483,437	-	1,483,437	1,694,216
At the end of the year	40,567,715	49,135	40,616,850	37,170,270

23.1.2 Lease liability

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March 2021.

In LKR '000s	2021	2020
At the beginning of the year	21,292,786	13,629,028
Additions	4,584,504	7,607,634
Transfers	(122,000)	27,443
Interest expense	1,503,908	1,220,822
Disposals	(3,203)	-
Payments	(2,383,375)	(1,984,238)
Exchange difference	834,645	792,097
At the end of the year	25,707,265	21,292,786
Current	1,472,297	1,382,662
Non-current	24,234,968	19,910,124
Total lease liabilities as at 31 March	25,707,265	21,292,786
Following are the amounts recognised in income statement for the year ended 31 March		
Amortisation of right-of-use assets	2,619,179	2,265,955
Interest expense on lease liabilities	1,503,908	1,220,822
Total amount recognised in income statement	4,123,087	3,486,777

Expenses relating to short term leases and leases of low value assets amounting to 293 Mn (2020 - 472 Mn) has recognized in profit or loss.

24. Investment property

Accounting policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are revaluated at least every 3 years by an accredited external, independent valuer. The most recent revaluation was carried out on 31 December 2020.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for using accounting policy for property, plant and equipment.

	GROUP	
As at 31 March In LKR '000s	**2021**	**2020**
Carrying value		
At the beginning of the year	15,007,996	13,985,379
Additions	113,015	1,011
Transfers	-	523,233
Change in fair value during the year	(253,425)	573,373
Disposals	-	(75,000)
At the end of the year	14,867,586	15,007,996
Freehold property	14,442,981	14,581,020
Leasehold property	424,605	426,976
	14,867,586	15,007,996
Rental income earned	381,073	629,168
Direct operating expenses incurred	160,565	211,590

Accounting judgments, estimates and assumptions

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties in similar locations and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value are recognised in the Income Statement. The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate.

The valuations as of 31 December 2020 were contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

24. Investment property (Contd.)

Description of valuation techniques used and key inputs to valuation of investment properties:

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
Freehold property						
Ahungalla Holiday Resort Ltd	S Fernando	DCC	LKR 240,000 - LKR 390,000	-	-	Positive
Asian Hotels and Properties PLC	P B Kalugalagedara	IM	-	-	6.25%	Negative
Ceylon Cold Stores PLC	-do-	DCC	LKR 1,550,000	LKR 1,000 - LKR 2,000	-	Positive
Facets (Pvt) Ltd	S Fernando	DCC	LKR 440,000	-	-	Positive
Glennie Properties (Pvt) Ltd	P B Kalugalagedara	OMV	LKR 15,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd	-do-	DCC	LKR 1,250,000	LKR 4,500	-	Positive
John Keells PLC	-do-	OMV	LKR 650,000	-	-	Positive
John Keells Property Development (Pvt) Ltd	-do-	OMV	LKR 11,500,000	-	-	Positive
J K Thudella Properties (Pvt) Ltd	P P T Mohideen	OMV	LKR 270,000	-	-	Positive
Keells Realtors Ltd	P B Kalugalagedara	OMV	LKR 1,500,000 - LKR 2,250,000	LKR 500 - LKR 1,500	-	Positive
Trinco Walk Inn Ltd	S Fernando	DCC	LKR 115,000 - LKR 320,000	-	-	Positive
Whittall Boustead (Pvt) Ltd	P B Kalugalagedara	DCC	LKR 2,000,000	LKR 500 - LKR 1,500	-	Positive
Wirawila Walk Inn Ltd	S Fernando	DCC	LKR 22,188	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd	P B Kalugalagedara	OMV	LKR 15,500,000	-	-	Positive
Resort Hotels Ltd	S Fernando	DCC	LKR 100,000 - LKR 255,000	-	-	Positive
Leasehold property						
Tea Smallholder Factories PLC	P B Kalugalagedara	DCC	LKR 2,500,000	LKR 1,000	-	Positive

* Summary of valuation methodologies can be found in property plant and equipment Note no 22.3.

25. Intangible assets

Accounting policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives and goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Present value of acquired in-force business (PVIB)

The present value of future profits on a portfolio of long term life insurance contracts as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

The PVIB is amortised over the average useful life of the related contracts in the portfolio. The amortisation charge and any impairment losses would be recognised in the Income Statement as an expense.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

Contractual relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and amortised over the contract period.

A summary of the policies applied to the Group's intangible assets is as follows.

Intangible assets	Useful life	Type	Impairment testing
PVIB	12	Acquired	When indicators of impairment exists. The amortisation method is reviewed at each financial year end
Purchased software	5		
Software license	5		
Contractual relationships	5 - 10		
Developed software	5 - 10	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. For assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

25. Intangible assets (Contd.)

25.1 Intangible assets

As at 31 March In LKR '000s	Software Developed	 Purchased	 Licenses	 WIP
Cost/carrying value				
At the beginning of the year	630,542	960,145	1,393,201	41,661
Additions	1,284,547	68,018	234,735	-
Transfers	22,694	1,311	17,431	(22,694)
Disposal	-	(39,182)	-	-
At the end of the year	1,937,783	990,292	1,645,367	18,967
Accumulated amortisation and impairment				
At the beginning of the year	(340,331)	(326,706)	(749,864)	-
Amortisation	(103,024)	(106,414)	(151,114)	-
Transfers	-	(490)	-	-
Disposal	-	39,182	-	-
At the end of the year	(443,355)	(394,428)	(900,978)	-
Carrying value				
As at 31 March 2021	1,494,428	595,864	744,389	18,967
As at 31 March 2020	290,211	633,439	643,337	41,661

Group Intangible assets with a cost of LKR. 151 Mn (2020 - LKR. 89 Mn) have been fully amortised and continue to be in use by the Group.

Present value of acquired in-force business (PVIB)

Upon acquiring a controlling stake in Union Assurance PLC (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the estimated life of the business acquired and reviewed annually for any impairment in value.

25.2 Intangible assets - Goodwill

As at 31 March In LKR '000s	GROUP 2021 Net carrying value
Goodwill acquired through business combinations have been allocated to following cash generating units (CGU's) for impairment testing,	
Airlines Services	5,054
Cinnamon Hotels and Resorts	166,248
Consumer Foods	299,293
Financial Services	265,360
Logistics, Ports and Shipping	2,641
	738,596

The recoverable amounts of all CGUs have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

			GROUP		COMPANY	
PVIB	Goodwill	Other			Software Licenses	
			2021 Total	2020 Total	2021 Total	2020 Total
2,249,000	738,596	840,738	6,853,883	6,541,834	626,030	592,561
-	-	600,000	2,187,300	386,663	25,611	33,953
-	-	-	18,742	2,000	-	-
-	-	-	(39,182)	(76,614)	-	(484)
2,249,000	738,596	1,440,738	9,020,743	6,853,883	651,641	626,030
(2,061,577)	-	(86,416)	(3,564,894)	(3,136,142)	(523,488)	(498,849)
(187,423)	-	(93,588)	(641,563)	(502,844)	(30,631)	(24,687)
-	-	-	(490)	-	-	-
-	-	-	39,182	74,092	-	48
(2,249,000)	-	(180,004)	(4,167,765)	(3,564,894)	(554,119)	(523,488)
-	738,596	1,260,734	4,852,978		97,522	
187,423	738,596	754,322		3,288,989		102,542

Accounting judgments, estimates and assumptions

Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to four years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

26. Investment in subsidiaries

Accounting policy

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

26.1 Carrying value

As at 31 March In LKR '000s		COMPANY 2021	 2020
Quoted	26.2	20,228,019	20,185,912
Unquoted	26.3	81,106,517	67,650,005
		101,334,536	87,835,917

26.2 Group quoted investments

As at 31 March	GROUP Number of shares	 Effective holding %	COMPANY Number of shares	 Effective holding %	 2021 In LKR '000s	 2020 In LKR '000s
Cost						
Asian Hotels and Properties PLC	347,824,190	78.56%	347,824,190	78.56%	5,381,562	5,369,619
Ceylon Cold Stores PLC	77,321,326	81.36%	67,155,813	70.66%	1,662,908	1,646,015
John Keells Hotels PLC	1,169,598,478	80.32%	1,169,598,478	80.32%	7,102,140	7,102,140
John Keells PLC	52,834,784	86.90%	52,834,784	86.90%	485,455	482,649
Keells Food Products PLC	22,937,250	88.63%	20,364,054	79.86%	1,239,768	1,237,188
Tea Smallholder Factories PLC	11,286,000	37.62%	11,286,000	37.62%	66,809	66,478
Trans Asia Hotels PLC	184,107,284	82.74%	97,284,256	48.64%	1,616,425	1,615,761
Union Assurance PLC	53,035,715	90.00%	53,035,715	90.00%	2,672,952	2,666,062
					20,228,019	20,185,912

As at 31 March In LKR '000s	GROUP 2021	 2020	COMPANY 2021	 2020
Market Value*				
Asian Hotels and Properties PLC	13,008,625	14,086,880	13,008,625	14,086,880
Ceylon Cold Stores PLC	48,074,534	61,470,454	41,754,126	53,388,871
John Keells Hotels PLC	11,111,186	13,567,342	11,111,186	13,567,342
John Keells PLC	3,698,435	2,588,904	3,698,435	2,588,904
Keells Food Products PLC	3,727,303	2,809,813	3,309,159	2,494,597
Tea Smallholder Factories PLC	462,726	310,365	462,726	310,365
Trans Asia Hotels PLC	10,291,597	12,832,278	5,438,190	6,780,713
Union Assurance PLC	16,573,661	17,501,786	16,573,661	17,501,786
	106,948,067	125,167,822	95,356,108	110,719,458

* The indicative market values of the 2020 were based on 31 December 2019 active market prices, since as at 31 March 2020 shows factors which were indicative of an inactive market due to COVID-19 pandemic.

26.3 Group unquoted investments

As at 31 March	GROUP 2021		COMPANY 2021			2020
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Ahungalla Holiday Resort (Pvt) Ltd	13,275,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd	219,725,653	79.78	-	-	3,586	3,619
British Overseas (Pvt) Ltd	61	61.00	61	61.00	-	-
Ceylon Holiday Resorts Ltd	18,260,784	79.60	-	-	3,850	3,753
Cinnamon Hotels Management Ltd	1,000,000	100.00	1,000,000	100.00	410,826	368,640
Cinnamon Hotels Management International (Pvt) Ltd	50,000	100.00	-	-	-	-
Cinnamon Holidays (Pvt) Ltd	20,000	80.32	-	-	-	-
Facets (Pvt) Ltd	15,000	100.00	15,000	100.00	-	-
Fantasea World Investments (Pte) Ltd	7,299	80.32	-	-	4,540	4,018
Glennie Properties (Pvt) Ltd	16,386,140	100.00	16,386,140	100.00	163,861	163,861
Habarana Lodge Ltd	12,981,548	78.99	-	-	4,125	4,292
Habarana Walk Inn Ltd	4,321,381	79.34	-	-	2,758	2,821
Hikkaduwa Holiday Resorts (Pvt) Ltd	107,596,700	79.60	-	-	2,604	2,524
InfoMate (Pvt) Ltd	2,000,000	100.00	2,000,000	100.00	39,590	37,553
International Tourists and Hoteliers Ltd	38,490,901	79.78	-	-	-	-
J K Land (Pvt) Ltd	2,302,760,246	100.00	2,302,760,246	100.00	23,027,602	17,047,210
J K Packaging (Pvt) Ltd	1,450,000	100.00	1,450,000	100.00	-	-
J K Thudella Properties (Pvt) Ltd	45,346,760	100.00	-	-	-	-
JayKay Marketing Services (Pvt) Ltd	202,239,025	81.36	-	-	204,958	185,655
John Keells BPO Holdings (Pvt) Ltd	19,000,000	100.00	-	-	-	-
John Keells BPO International (Pvt) Ltd	1,500,000,000	100.00	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd	32,843,578	100.00	-	-	-	
John Keells Information Technologies (Pvt) Ltd	9,650,000	100.00	9,650,000	100.00	122,958	121,970
John Keells Foods India (Pvt) Ltd	8,999,990	88.63	-	-	-	-
John Keells International (Pvt) Ltd	199,160,000	100.00	199,160,000	100.00	671,655	669,395
John Keells Logistics (Pvt) Ltd	19,999,998	100.00	19,999,998	100.00	228,503	227,592
John Keells Maldivian Resorts (Pte) Ltd	49,044,238	80.32	-	-	17,932	17,362
John Keells Office Automation (Pvt) Ltd	500,000	100.00	500,000	100.00	68,263	64,848
John Keells Properties (Pvt) Ltd	101,804	100.00	101,804	100.00	-	-
John Keells Properties Ja-ela (Pvt) Ltd	95,436,000	100.00	-	-	-	-
John Keells Property Developments (Pvt) Ltd	105,405,680	100.00	-	-	-	-
John Keells Residential Properties (Pvt) Ltd	2,081,698	100.00	2,081,698	100.00	20,817	20,817
John Keells Singapore (Pte) Ltd	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Stock Brokers (Pvt) Ltd	1,500,000	90.04	360,000	24.00	80,666	75,445
John Keells Teas Ltd	12,000	100.00	12,000	100.00	20,902	19,261
John Keells Warehousing (Pvt) Ltd	12,000,000	86.90	-	-	5,006	4,948
Kandy Walk Inn Ltd	6,165,484	79.03	-	-	4,105	4,118
Keells Consultants (Pvt) Ltd	928	100.00	928	100.00	2,032	1,920
Keells Realtors Ltd	7,500,000	95.81	5,100,000	40.00	119,124	119,124
Keells Shipping (Pvt) Ltd	50,000	100.00	50,000	100.00	-	-
Lanka Marine Services (Pvt) Ltd	34,805,470	99.44	34,805,470	99.44	1,403,053	1,394,958
Logipark International (Pvt) Ltd	60,407,698	81.36	-	-	-	1,058,750
Mack Air (Pvt) Ltd	89,260	100.00	89,260	100.00	36,981	35,164
Mack Air Services Maldives (Pvt) Ltd	4,900	49.00	4,700	47.00	2,021	2,021
Mack International Freight (Pvt) Ltd	13,000,000	100.00	13,000,000	100.00	1,792	1,204

NOTES TO THE FINANCIAL STATEMENTS

	GROUP		COMPANY			
As at 31 March	2021		2021			2020
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Mackinnon Keells Ltd	31,966,951	100.00	31,966,951	100.00	670,166	670,166
Mackinnon Mackenzie and Company (Shipping) Ltd	139,092	100.00	139,092	100.00	65,848	65,790
Mackinnon Mackenzie and Company of (Ceylon) Ltd	1,244	100.00	1,244	100.00	29,122	29,122
Mackinnons Travels (Pvt) Ltd	499,996	100.00	499,996	100.00	30,583	29,452
Mortlake (Pvt) Ltd	43	100.00	43	100.00	20,000	20,000
Nuwara Eliya Holiday Resort (Pvt) Ltd	31,606,252	80.32	-	-	-	-
Rajawella Holdings Ltd	13,063,936	49.85	11,573,339	45.18	801,707	801,707
Rajawella Hotels Company Ltd	3,157,384	80.32	-	-	-	-
Resort Hotels Ltd	106,107	79.60	-	-	-	-
Serene Holidays (Pvt) Ltd	800,000	98.35	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	169,999,999	81.36	-	-	819	-
Tranquility (Pte) Ltd	637,499	80.32	-	-	5,616	5,241
Trans-ware Logistics (Pvt) Ltd	5,539,929	100.00	5,539,929	100.00	58,983	58,983
Travel Club (Pte) Ltd	29,059	80.32	-	-	3,667	3,444
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	3,590	3,484
Trinco Walk Inn Ltd	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd	1,307,990,744	100.00	-	-	-	-
Walkers Tours Ltd	3,737,634	98.51	3,737,634	98.05	191,018	185,218
Waterfront Properties (Pvt) Ltd	5,784,919,845	97.96	5,053,995,419	87.37	50,612,655	42,193,019
Whittall Boustead (Pvt) Ltd	5,341,105	100.00	5,341,105	100.00	1,655,358	1,640,754
Whittall Boustead (Travel) Ltd	22,452,271	100.00	22,452,271	100.00	276,325	273,882
Wirawila Walk Inn Ltd	1,706,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd	28,268,000	75.33	-	-	2,740	2,691
Yala Village (Pvt) Ltd- Non voting preference shares	10,000,000	80.32	-	-	-	-
					81,106,517	67,650,005

27. Investment in equity accounted investees

Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate companies incorporated in Sri Lanka of the Group which have been accounted for under the equity method of accounting are:

Capitol Hotel Holdings (Pvt) Ltd
Fairfirst Insurance Ltd
Indra Hotels and Resorts Kandy (Pvt) Ltd
Maersk Lanka (Pvt) Ltd
Nations Trust Bank PLC
Saffron Aviation (Pvt) Ltd
South Asia Gateway Terminals (Pvt) Ltd

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures incorporated in Sri Lanka entered into by the Group, which have been accounted for using the equity method, are:

Braybrooke Residential Properties (Pvt) Ltd
DHL Keells (Pvt) Ltd
Sentinel Reality (Pvt) Ltd

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Nature of the entity's relationship, principal place of business and the country of incorporation is disclosed in group directory.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of associate companies and joint ventures conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below.

Equity method of accounting has been applied for associates and joint ventures using their corresponding/matching 12 months financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

	GROUP				COMPANY			
As at 31 March	Number of shares	Effective Holding %	2021 In LKR '000s	2020 In LKR '000s	Number of shares	Effective Holding %	2021 In LKR '000s	2020 In LKR '000s
27.1 Investments in joint ventures								
Braybrooke Residential Properties (Pvt) Ltd	102	50.00	1,804,500	1,804,500	-	-	-	-
DHL Keells (Pvt) Ltd	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
Sentinel Reality (Pvt) Ltd	6,863,673	40.16	64,199	63,324	-	-	-	-
27.2 Investments in associates								
Quoted								
Nations Trust Bank PLC- Voting shares	72,278,880	29.49	1,699,620	1,699,620	48,347,078	19.72	1,198,265	1,198,265
Nations Trust Bank PLC- Non voting shares	20,171,450	52.10	1,759,237	1,759,237	16,000,788	41.33	1,283,868	1,283,868
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd	3,249,232	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Fairfirst Insurance Ltd	68,902,870	19.80	689,718	689,718	-	-	-	-
Indra Hotels and Resorts (Pvt) Ltd	67,050,025	32.13	670,742	565,361	-	-	-	-
Maersk Lanka (Pvt) Ltd	30,000	30.00	150	150	30,000	30.00	150	150
Saffron Aviation (Pvt) Ltd	24,887,160	40.00	248,872	248,872	24,887,160	40.00	-	-
Saffron Aviation (Pvt) Ltd - Preference shares	135,530,835	-	432,747	217,748	135,530,835	-	432,747	217,748
South Asia Gateway Terminals (Pvt) Ltd	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend			8,207,432	8,491,290			-	-
Share of net assets of equity accounted investees			5,370,869	5,107,822			-	-
			28,629,936	28,329,492			10,596,880	10,381,881

27. Investment in equity accounted investees (Contd.)

Group's shareholding in Nations Trust Bank PLC (NTB)

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) informed John Keells Holdings PLC, in terms of a decision taken by the Monetary Board of the CBSL, the Group has been granted further time till 31 December 2021 to reduce its shareholding in the voting shares of the NTB to 20 per cent. Subsequent to that, the Group is required to reduce its shareholding in the NTB to 15 per cent on or before 31 December 2022. The Monetary Board has also required NTB to limit the voting rights of the Group to 10 per cent with effect from 31 March 2018. NTB will continue to be an associate company of the Group. As at 31 March 2021, the Group has an economic interest of 32.57 per cent in NTB.

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Market Value*				
Quoted shares of Nations Trust Bank PLC				
Voting shares	3,997,077	5,782,390	2,673,593	3,867,766
Non voting shares	1,216,338	1,613,716	964,848	1,280,063
	5,213,416	7,396,106	3,638,441	5,147,829

* The indicative market values of the 2020 were based on 31 December 2019 active market prices, since as at 31 March 2020 shows factors which are indicative of an inactive market due to COVID-19 pandemic.

27.3 Summarised financial information of equity accounted investees

As at/year ended 31 March In LKR '000s	South Asia Gateway Terminals (Pvt) Ltd 2021	South Asia Gateway Terminals (Pvt) Ltd 2020	Other associates 2021	Other associates 2020	Joint ventures 2021	Joint ventures 2020	Total 2021	Total 2020
Group share of;								
Revenue	6,639,452	6,960,626	7,777,167	9,062,151	3,353,506	2,854,639	17,770,125	18,877,416
Operating expenses including cost of sales	(4,171,084)	(4,482,461)	(4,925,057)	(5,935,617)	(2,993,364)	(2,463,494)	(12,089,505)	(12,881,572)
Net finance income	137,887	(92,044)	2,304	(873,763)	(71,809)	(11,046)	68,382	(976,853)
Tax expense	(420,612)	294,246	(1,098,006)	(748,705)	(71,591)	(98,075)	(1,590,209)	(552,534)
Share of results of equity accounted investees	2,185,643	2,680,367	1,756,408	1,504,066	216,742	282,024	4,158,793	4,466,457
Other comprehensive income	381,701	565,341	(121,007)	234,964	2,525	(498)	263,219	799,807
Total Comprehensive Income	2,567,344	3,245,708	1,635,401	1,739,030	219,267	281,526	4,422,012	5,266,264
Group share of;								
Total assets	10,429,627	12,300,550	123,748,882	112,555,107	6,912,727	5,230,906	141,091,236	130,086,563
Total liabilities	(3,921,435)	(4,368,156)	(108,995,412)	(99,471,192)	(4,287,703)	(2,660,973)	(117,204,550)	(106,500,321)
Net assets	6,508,192	7,932,394	14,753,470	13,083,915	2,625,024	2,569,933	23,886,686	23,586,242
Goodwill	4,674,278	4,674,278	55,712	55,712	13,260	13,260	4,743,250	4,743,250
	11,182,470	12,606,672	14,809,182	13,139,627	2,638,284	2,583,193	28,629,936	28,329,492
Contingent liabilities	-	-	-	-	-	-	-	-
Capital commitments	-	-	142,202	199,359	5,776,691	6,742,274	5,918,893	6,941,633
Other commitments and Guarantees	-	-	14,801,322	15,445,819	-	-	14,801,322	15,445,819
Dividend received	3,991,513	1,725,410	351,138	522,987	100,000	100,000	4,442,651	2,348,397

The share of results of equity accounted investees in the Income Statement and the Statement of Other Comprehensive Income are shown net of all related taxes.

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

Significant accounting policies that are specific to the business of equity accounted investees

Nations Trust Bank PLC (Bank)

Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefit associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is also recognised using the contractual interest rate in interest income.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to the following three categories:

- Fee income earned from services that are provided over a certain period of time Fees earned for the provision of services are recognised as revenue as the services are provided. These fees include commission income and asset management fees, custody and other management and advisory fees.

- Fee income from providing financial services are earned on the execution of a significant act Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the lending transactions or other securities are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

- Fee income forming an integral part of the corresponding financial instrument Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established which is generally when the shareholders approve the dividend.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value.

Rental income

Rental income is recognised on a straight line basis

Other income

Other income is recognised on an accrual basis

South Asia Gateway Terminals (Pvt) Ltd

Stevedoring revenue

Stevedoring revenue is recognised on the berthing time of the vessel.

Storage revenue

Storage revenue is recognised on the issue of delivery advice.

South Asia Gateway Terminals (Pvt) Ltd uses United States Dollar (USD) as its functional currency.

Fairfirst Insurance Ltd

Revenue from insurance contracts

General insurance business-gross written premium

Gross written premiums (GWP) comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium

Insurance contract liabilities - general

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR/ IBNER) and the provision for unearned premium and the provision for premium deficiency.

28. Non current financial assets

		GROUP		COMPANY	
As at 31 March In LKR '000s		2021	2020	2021	2020
Other quoted equity investments		87	125	-	-
Other unquoted equity investments	28.1	147,665	144,368	92,346	89,049
Other non equity investments	28.2	62,442,051	39,933,976	17,518,775	195,929
		62,589,803	40,078,469	17,611,121	284,978

28. Non current financial assets (Contd.)

28.1 Other unquoted equity investments

As at 31 March In LKR '000s	GROUP Number of shares	2021	2020	COMPANY Number of shares	2021	2020
Asia Power (Pvt) Ltd	388,527	75,846	72,549	388,527	75,846	72,549
Other equity instruments	-	71,819	71,819	-	16,500	16,500
		147,665	144,368		92,346	89,049

28.2 Other non equity investments

As at 31 March In LKR '000s		GROUP 2021	2020	COMPANY 2021	2020
Bank deposits		18,503,408	1,269,863	16,729,867	125,472
Debentures		9,955,243	8,038,787	-	-
Preference shares		351,430	320,957	-	-
Government securities		29,703,638	27,478,202	-	-
Deposits with non bank institutions		367,613	226,699	-	-
Loans to executives	28.3	990,562	971,913	59,592	70,457
Loans to life policyholders	28.4	1,840,841	1,627,555	-	-
Cash flow hedge		729,316	-	729,316	-
		62,442,051	39,933,976	17,518,775	195,929

28.3 Loans to executives

As at 31 March In LKR '000s	GROUP 2021	2020	COMPANY 2021	2020
At the beginning of the year	1,296,464	1,282,679	90,178	128,796
Loans granted / transfers	516,846	643,352	21,057	96,888
Recoveries	(480,910)	(629,567)	(32,237)	(135,506)
At the end of the year	1,332,400	1,296,464	78,998	90,178
Receivable within one year	341,838	324,551	19,406	19,721
Receivable between one and five years	990,562	971,913	59,592	70,457
	1,332,400	1,296,464	78,998	90,178

28.4 Loans to life policyholders

As at 31 March In LKR '000s	GROUP 2021	2020
At the beginning of the year	1,627,555	1,300,907
Loans granted / transfers	885,798	4,668,147
Recoveries	(672,512)	(4,341,499)
At the end of the year	1,840,841	1,627,555

29. Other non current assets

As at 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Pre paid cost		341,600	304,566	92,668	18,842
Work-in-progress - Waterfront project	29.1	103,260,711	78,431,575	-	-
Non current advances		977,904	846,608	-	-
		104,580,215	79,582,749	92,668	18,842

29.1 Work-in-progress - Waterfront project

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020
Freehold property*	12,703,071	11,541,115
Leasehold property*	5,106,604	3,111,860
Other constructions in progress	82,275,284	58,389,362
Contractor advances	3,175,752	5,389,238
	103,260,711	78,431,575

* The freehold and leasehold property are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

Other Non-Current Assets represents the construction work in progress, which mainly consists of Freehold Land, advance paid on obtained Lease Land and other project cost incurred. Freehold land included under other non-current asset is carried at cost. Lease prepaid in advance consists of the prepayment made to obtaining the lease land rights for 99 years. Other project cost includes advances paid to contractors, directly attributable cost incurred on the project and borrowing cost capitalized.

Details of the Waterfront Integrated Resort Project

The company is engaged in the development and construction of an integrated complex with an approximate area of 4,500,000 square feet, comprising of offices, residential units, a hotel and conference centre, retail and associate facilities and a car park.

Details of property	Leasehold BOI*	Leasehold UDA**	Freehold
Extent:	2A-3R-21.02P	13P	7A-0R-16.63P
Period:	99 years from 12-02-2014	99 years from 01-08-2018	-
Lease commitment:	Upfront Lease rental of LKR. 3,030 Mn	Upfront Lease rental of LKR. 75.5 Mn	-

* Board of Investment
** Urban Development Authority

29.2 Total project cost - Waterfront project

Upon completion of the Waterfront project, the total cost will be allocated in the following percentages under each asset category. As estimated at this juncture of time the final project cost allocation will be done in an absolute manner once the project is at near completion.

Asset category	Type	Cost percentage
Property, plant and equipment	Hotel	52%
Investment Property	Commercial buildings	27%
Inventory	Residential apartments	21%
		100%

30. Inventories

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Raw materials - On a weighted average basis
- Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs
- Other inventories – At actual cost
- Inventory work in progress includes transfer of Waterfront project apartments and commercial space – At actual cost

During the year ended 31 March 2021, LKR 100 Mn (2020 - LKR 85Mn) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales and other operating expenses.

	GROUP	
As at 31 March In LKR '000s	**2021**	**2020**
Inventories		
Raw materials	628,872	675,155
Finished goods	7,391,309	6,539,106
Produce stocks	253,605	182,161
Other stocks	2,168,124	1,387,884
Inventory work in progress	43,854,213	41,384,448
	54,296,123	50,168,754

31. Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year, LKR. 1,314 Mn (2020 - LKR 1,136 Mn) was recognised as provision for expected credit losses on trade receivables.

		GROUP		COMPANY	
As at 31 March In LKR '000s	**Note**	**2021**	**2020**	**2021**	**2020**
Trade and other receivables		16,192,825	11,059,966	95,374	105,730
Reinsurance receivables		589,306	421,297	-	-
Premiums receivable		332,729	380,513	-	-
Loans to executives	28.3	341,838	324,551	19,406	19,721
		17,456,698	12,186,327	114,780	125,451

32. Other current assets

	GROUP		COMPANY	
As at 31 March In LKR '000s	**2021**	**2020**	**2021**	**2020**
Prepayments and non cash receivables	3,293,460	4,132,193	156,760	990,557
Tax refunds	2,625,993	2,381,160	14,141	134,272
	5,919,453	6,513,353	170,901	1,124,829

33. Short term investments

As at 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Quoted equities at market value	33.1	3,471,266	2,869,945	-	-
More than 3 months and less than 1 year					
Debentures		1,236,380	88,353	-	-
Bank deposits		35,678,228	21,305,396	34,553,213	19,224,828
Government securities		3,421,136	1,088,626	2,418,252	-
		43,807,010	25,352,320	36,971,465	19,224,828
Less than 3 months					
Debentures		53,945	464,657	-	-
Bank deposits		18,367,744	10,781,041	13,698,244	8,147,175
Government securities		7,034,062	1,859,952	921,328	-
Reported in statement of cash flows		25,455,751	13,105,650	14,619,572	8,147,175
		69,262,761	38,457,970	51,591,037	27,372,003

33.1 Quoted equities at market value

As at 31 March	Number of shares 2021	Number of shares 2020	Cost 2021 In LKR '000s	Cost 2020 In LKR '000s	Market value 2021 In LKR '000s	Market value 2020 In LKR '000s
Aitken Spence Hotel Holdings PLC	-	490,393	-	34,934	-	22,803
Cargills (Ceylon) PLC	859,786	665,852	165,034	128,783	202,050	128,783
Ceylon Cold Stores PLC	144,425	24,348	96,611	18,748	89,796	18,748
Ceylon Tobacco Company PLC	93,780	-	90,537	-	91,881	-
Commercial Bank of Ceylon PLC	7,729,919	5,570,045	676,842	520,075	660,908	504,199
C T Holdings PLC	394,306	-	66,777	-	67,032	-
DFCC Bank PLC	-	462,480	-	78,099	-	42,502
Dialog Axiata PLC	14,548,770	2,697,066	168,801	29,668	189,134	33,174
Distilleries Company of Sri Lanka PLC	-	1,662,840	-	29,999	-	30,763
Hayleys Fabric PLC	3,916,980	-	48,832	-	55,229	-
Hatton National Bank PLC	5,136,866	4,241,046	735,996	726,124	647,245	635,777
Hemas Holdings PLC	-	950,894	-	62,277	-	76,072
John Keells Holdings PLC	4,547,381	978,481	555,142	135,544	675,286	143,828
John Keells Hotels PLC	2,509,603	-	20,077	-	23,841	-
Lion Brewery (Ceylon) PLC	262,995	-	141,965	-	149,644	-
National Development Bank PLC	-	1,535,938	-	242,259	-	153,594
Nestle Lanka PLC	152,171	181,722	217,410	265,859	174,464	236,210
Peoples Leasing and Finance PLC	-	4,152,870	-	72,338	-	74,336
Piramal Glass PLC	-	9,810,292	-	59,070	-	44,146
Sampath Bank PLC	1,717,668	2,361,580	115,893	524,250	92,411	383,521
Seylan Bank PLC	-	616	-	31	-	21
Sunshine Holdings PLC	2,255,682	-	33,459	-	59,776	-
Textured Jersey Lanka PLC	7,314,236	3,489,689	210,337	108,581	292,569	137,723
Tokyo Cement Company (Lanka) PLC	-	4,589,292	-	114,458	-	203,745
			3,343,713	3,151,097	3,471,266	2,869,945

Above list mainly comprises of the investments made by Union Assurance PLC (UA) under the unit linked equity tracker fund.

34. Stated capital and other components of equity

Accounting policy

The ordinary shares of John Keells Holdings PLC are quoted in the Colombo Stock Exchange and the Global Depository Receipts are listed on the Luxembourg Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 35 for further details.

34.1 Stated capital

As at 31 March	COMPANY 2021 Number of shares In '000s	COMPANY 2021 Value of shares In LKR '000s	COMPANY 2020 Number of shares In '000s	COMPANY 2020 Value of shares In LKR '000s
Fully paid ordinary shares				
At the beginning of the year	1,318,551	62,881,295	1,318,173	62,806,482
Share options exercised	1,113	220,366	378	74,813
At the end of the year	1,319,664	63,101,661	1,318,551	62,881,295

The number of shares in issue as at 31 March 2021 was 1,320 Mn which include global depository receipts (GDRs) of 1,320,942 (2020 -1,320,942). Further information on the composition of shares in issue is given under the share information section of the annual report.

A quantum of 38,047,143 shares (2020 - 41,563,469) have been reserved to be issued under the employee share option plan as at 31 March 2021.

34.2 Other components of equity

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Revaluation reserve	37,777,543	37,578,451	-	-
Foreign currency translation reserve	26,424,124	21,655,664	-	-
Other capital reserve	2,863,766	2,700,147	2,863,766	2,700,147
Restricted regulatory reserve	3,626,604	3,564,742	-	-
Cash flow hedge reserve	349,024	(508,480)	729,316	-
Fair value reserve of financial assets at FVOCI	1,362,079	1,094,830	28,094	24,797
	72,403,140	66,085,354	3,621,176	2,724,944

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

The other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Restricted regulatory reserve

Union Assurance PLC (UA)

Based on the direction issued by the IRCSL dated 20 March 2018, and subsequent approval, UA has transferred LKR. 3,382 Mn attributable to non-participating and non unit fund of unit linked business from the life policyholder fund to the life shareholder fund (SHF). The distribution of the one-off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one-off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

Nations Trust Bank PLC (NTB)

Statutory reserve fund is maintained as per the requirement in terms of Section 20 of the Banking Act No 30 of 1988. Accordingly, a sum equivalent to 5% of profit after tax transferred to the reserve fund until the reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter, a further 2% of profits will transferred until the said reserve fund is equal to the Bank's stated Capital.

Cash flow hedge reserve includes the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

Fair value reserve of financial assets at FVOCI includes changes in fair value of financial instruments designated as financial assets at FVOCI.

35. Share-based payment plans

Accounting Policy

Employee share option plan - Equity-settled transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1 April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 19.2).

Employee share option scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 days volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Share-based payment plans

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Total expense arising from share-based payment transactions	225,007	328,425	66,035	87,085

Movements in the year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year;

As at 31 March	GROUP 2021 No.	GROUP 2021 WAEP	GROUP 2020 No.	GROUP 2020 WAEP	COMPANY 2021 No.	COMPANY 2021 WAEP	COMPANY 2020 No.	COMPANY 2020 WAEP
Outstanding at the beginning of the year	41,563,469	152.67	45,736,456	159.26	14,419,940	152.76	16,231,867	159.80
Granted during the year	6,557,100	132.86	6,568,000	136.97	1,819,700	132.86	2,124,000	136.97
Transfers	-	-	-	-	(56,195)	159.13	(173,386)	148.55
Exercised during the year	(1,113,183)	142.81	(377,489)	147.21	(363,100)	142.83	(101,311)	148.55
Expired during the year	(8,960,243)	150.47	(10,363,498)	172.01	(3,049,045)	150.13	(3,661,230)	174.61
Outstanding at the end of the year	38,047,143	150.06	41,563,469	152.67	12,771,300	150.82	14,419,940	152.76
Exercisable at the end of the year	22,717,896	155.17	23,800,846	154.13	8,392,388	155.40	9,199,686	154.43

35. Share-based payment plans (Contd.)

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results was generated using binomial model for ESOP.

As at 31 March	COMPANY				
	2021 Plan no 10 award 2	2020 Plan no 10 award 1	2019 Plan no 9 award 3	2018 Plan no 9 award 2	2017 Plan no 9 award 1
Dividend yield (%)	3.87	3.62	3.76	3.99	2.18
Expected volatility (%)	21.35	17.47	17.77	17.54	21.05
Risk free interest rate (%)	6.44	9.83	10.09	11.48	11.91
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (LKR)	134.74	138.70	154.10	173.25	142.83
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (LKR)	44.91	46.23	51.37	56.27	56.29
Exercise price for options outstanding at the end of the year (LKR)	132.86	136.97	154.10	173.25	142.83
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2021)	132.86	136.97	154.10	173.25	142.83

36. Insurance contract liabilities

Accounting policy

Insurance contract liabilities

The long term and unit linked insurance business provisions are based on the recommendation of the independent external actuary following annual valuation of the life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the actuary.

36.1 Insurance contract liabilities

As at 31 March In LKR '000s	GROUP 2021	2020
Insurance contract liabilities	44,791,714	37,856,844
Unclaimed benefits	368,897	328,995
	45,160,611	38,185,839

Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yields. The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discount the cash flows using the fund based yield of the participating insurance fund. The Liability is de-recognised when the contract expenses is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

Liability adequacy test (LAT)

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

Any deficiency is recognised in the income statement by setting up a provision for liability adequacy.

Accounting judgements, estimates and assumptions

Product classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary participating features (DPF)

DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

Valuation of life insurance contract liabilities

Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserves have been established based on the following;

- Non participating liabilities are discounted using risk free yield curve provided by the IRCSL and the participating liabilities are based on the fund yield of the life fund.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- Surrender rates based on actual experience.

The amount of policyholder dividend to be paid is determined annually by the company. The dividend includes life policyholders share of net income that is required to be allocated by the insurance contract.

Mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates were the assumptions used for the valuation of insurance contract liabilities. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

NOTES TO THE FINANCIAL STATEMENTS

36. Insurance contract liabilities (Contd.)

Estimates are also made for future investment income arising from the assets backing Life Insurance contracts. These estimates are based on current market returns, as well as expectations about future economic and financial developments.

Assumptions on future expenses are based on current expense levels, adjusted for expected expense inflation, if appropriate. Lapse and surrender rates are based on the company's historical experience of lapses and surrenders.

There is no material impact on the assumptions used for the valuation of insurance contract liabilities due to COVID-19 outbreak as at 31 March 2021 since insurance contract liability valuations use long term assumptions except for risk free interest rate which has dropped drastically during the year was used for discounting nonparticipating insurance contract liabilities. However, there is no significant impact given the Company's liability composition.

Valuation of life insurance fund

The valuation of the conventional life insurance fund as at 31 December 2020 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and a sum of LKR. 825 Mn was transferred from the conventional life insurance fund to the shareholders fund for the year 2020. Subsequent to the transfer the conventional life fund stood at LKR. 41,827 Mn.

Similarly, the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and non unit fund stood at LKR. 55 Mn.

In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2020 is adequate to cover the liabilities of the funds.

As at 31 March 2021, an internal actuarial valuation has been carried out for the conventional life insurance fund and the non unit fund of linked long term business. In the opinion, it was concluded that the admissible assets are adequate to cover the liabilities of the funds.

One - off surplus arising from change in policy liability valuation

The one-off surplus comprises of LKR. 432.5 Mn attributable to participating business and LKR. 2.5 Mn attributable to unit linked fund and LKR. 3,382 Mn attributable to non-participating and non-unit fund of unit linked business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred LKR. 3,382 Mn attributable to non - participating and non-unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

Movement in Life Insurance fund

As at 31 December In LKR '000s	2020	2019
Conventional life insurance fund		
Balance as at 1 January	35,448,033	30,557,320
Increase in life insurance fund before surplus transfer to share holders	7,061,324	5,940,278
Transfer to shareholders	(825,000)	(1,000,000)
Effect of taxation on surplus/bonus transferred to policyholders	51,059	(24,631)
Net change in unclaimed benefits	91,531	(24,934)
Balance as at 31 December	41,826,947	35,448,033
Non unit fund of linked life insurance contracts		
Balance as at 1 January	41,718	42,561
Increase in non unit fund of linked life insurance before surplus transfer to share holders	10,416	6,841
Transfer to shareholders	-	-
Net change in unclaimed benefits	2,576	(7,684)
Balance as at 31 December	54,710	41,718
	41,881,657	35,489,751

Liability adequacy test (LAT) - Life insurance contract liabilities

As at 31 December 2020, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited who concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

36.2 Change in life insurance contract liabilities

The results of Union Assurance PLC's (UA) life business segment is consolidated into the Group's Consolidated Income Statement. The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policy holders during the year.

Summarised financial information

For the year ended 31 March In LKR '000s	2021	2020
Total Revenue	13,221,167	11,120,928
Cost of sales	(6,168,801)	(5,290,054)
Gross profit	7,052,366	5,830,874
Operating expenses including distribution and administration expenses	(4,192,748)	(3,681,724)
Net finance income	5,023,000	4,523,686
Profit attributable to shareholders of UA	(850,926)	(1,055,405)
Change in insurance contract liabilities	7,031,692	5,617,431

Union Assurance PLC follows a risk mitigation approach for inherent uncertainty regarding the occurrence, amount or timing of insurance contract liabilities.

Following table describs headline risks and responses.

Headline risk	Risk response
Investment return on underlying items failing below guaranteed minimum rates	Management discretion to determine amount and timing of policy holders bonuses (within limits)
Insufficient fees to cover cost of guarantees and expenses	Hedging programme
Differences in duration and yield of assets and liabilities	. Matching of assets and liabilities cash flows . Investing in investment grade assets
Policy holder behavioural risk	Surrender penalty

37. Interest-bearing loans and borrowings

37.1 Movement

	GROUP		COMPANY	
As at 31 March In LKR '000s	2021	2020	2021	2020
At the beginning of the year	56,131,366	24,481,117	605,747	852,882
Cash movement				
Loans obtained	71,729,856	33,268,809	43,889,749	-
Repayments	(6,753,731)	(5,102,445)	(540,608)	(300,468)
Non cash movement				
Accrued Interest	1,138,330	400,712	428,650	-
Exchange rate adjustments	6,227,292	3,083,173	2,803,320	53,333
At the end of the year	128,473,113	56,131,366	47,186,858	605,747
Repayable within one year	9,507,473	5,206,020	3,007,368	316,042
Repayable after one year	118,965,640	50,925,346	44,179,490	289,705
	128,473,113	56,131,366	47,186,858	605,747

37. Interest-bearing loans and borrowings (Contd.)

37.2 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Carrying Value of Collaterals	2021 In LKR '000s	2020 In LKR '000s
Company					
John Keells Holdings PLC	1 month LIBOR plus margin	36 monthly installments commencing from March 2019	-	306,013	605,747
	Fixed rate	28 quarterly installments commencing from December 2020	-	5,876,085	-
	Fixed rate	60 monthly installments commencing from December 2020	-	5,925,000	-
	6-month LIBOR plus margin	12 semi annual installments commencing from December 2024 after 4 years grace period	-	35,079,760	-
				47,186,858	605,747
Group companies					
Asian Hotels & Properties PLC	Fixed rate	17 monthly installments commencing from May 2021 after 6 months grace period	-	50,000	-
Beruwala Holiday Resorts (Pvt) Ltd	1 month LIBOR plus margin	7 quarterly installments commencing from June 2021	LKR 3.9 Bn primary floating mortgage bond over hotel property.	218,677	198,350
	Fixed rate	3 monthly installments commencing from June 2021	-	47,240	-
	Fixed rate	3 monthly installments commencing from June 2021 after a grace period of 9 months	Letter of Comfort from John Keells Holdings PLC	25,753	-
Ceylon Holiday Resort Ltd	AWPLR plus margin	77 monthly installments after a grace period of 18 months from the date of first disbursement	LKR 2.45Bn Corporate guarantee from John Keells Hotels PLC	-	2,092,297
	Fixed for the first 5 years and 1 month AWPLR plus margin for the next 5 years	102 monthly installments commencing from August 2022 after 18 months grace period	LKR 3.0Bn Corporate Guarantee from John Keells Hotels PLC	2,838,352	-
Cinnamon Hotel Management Ltd	Fixed rate	15 monthly installments commencing from April 2021	-	24,692	-
Fantasea World Inv (Pte) Ltd	3 months LIBOR plus margin	22 quarterly installments commencing from December 2018 after 18 months grace period	Leasehold rights of Island of Cinnamon Hakuraa Huraa.	3,817,658	3,678,725
	3 months LIBOR plus margin	12 Monthly installments commencing from March 2021		146,508	-
Habarana Walk Inn Ltd	Fixed rate	18 monthly installments commencing from June 2021 after 6 months grace period	LKR 12.7Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	12,680	-
Habarana Lodge Ltd	1 month LIBOR plus margin	8 quarterly installments commencing from September 2021	-	37,939	35,058
	Fixed rate	18 monthly installments commencing from June 2021 after 6 months grace period	LKR 37.9Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	38,453	-

As at 31 March	Nominal Interest rate	Repayment terms	Carrying Value of Collaterals	2021 In LKR '000s	2020 In LKR '000s
Hikkaduwa Holiday Resorts (Pvt) Ltd	1 month LIBOR plus margin	4 quarterly installments commencing from June 2021	-	160,304	148,131
	Fixed rate	18 monthly installments commencing from June 2021 after 6 months grace period	LKR 18.9Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	19,148	-
	Fixed rate	72 monthly installments commencing from January 2022 after 12 months grace period	LKR 540Mn Corporate Guarantee from John Keells Hotels PLC	193,311	-
John Keells Properties Ja-Ela (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from December 2016	General terms and conditions for LKR 450 Mn signed relating to the term loan.	172,824	262,533
John Keells Information Technology (Pvt) Ltd	Fixed rate	18 monthly installments commencing from April 2021	-	20,000	-
John Keells Logistics (Pvt) Ltd	Fixed rate	24 monthly installments commencing from April 2021	-	20,000	-
John Keells Hotels PLC	Fixed rate	15 monthly installments commencing from June 2021 after 9 months grace period	Letter of undertaking from John Keells Hotels PLC	4,372	-
	Fixed for the first 3 years and 1 month AWPLR plus margin for the next 4 years	10 bi-annual installments commencing from June 2023 after 24 months grace period	Letter of Comfort from John Keells Holdings PLC	1,018,780	-
Jaykay Marketing Services (Pvt) Ltd	Fixed rate	20 quarterly installments commencing from March 2021	-	3,800,000	-
	Fixed rate	20 quarterly installments commencing from May 2021	-	2,000,000	
Keells Food Products PLC	1 month COF plus margin	60 monthly installments commencing from February 2019	-	129,124	165,336
Kandy walk Inn Ltd	Fixed rate	18 monthly installments commencing from June 2021 after 6 months grace period	LKR 26.6Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	26,965	-
Mack Air Pvt Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	15,000	-
Mack International Freight (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	10,000	-
Rajawella Holdings Ltd	1 month COF plus margin	60 monthly installments commencing from April 2020 after 1 year grace period	-	374,000	350,000
The Colombo Ice Company (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from March 2017 after 1 year grace period	LKR 1.17 Bn Corporate guarantee from Ceylon Cold Stores PLC	1,041,667	1,458,333
Trans Asia Hotels PLC	1 month LIBOR plus margin	5 quarterly installments commencing from March 2021	-	187,781	177,774
Travel Club (Pte) Ltd	1 months LIBOR plus margin	12 quarterly installments commencing from September 2017	-	-	63,208

37. Interest-bearing loans and borrowings (Contd.)
37.2 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Carrying Value of Collaterals	2021 In LKR '000s	2020 In LKR '000s
Tranquility (Pte) Ltd	3 months LIBOR plus margin	16 quarterly installments commencing from September 2019 after 12 months grace period	Leasehold right on the Island of Kanuoiy Huraa in Kaafu (Male')	5,591,934	5,347,425
	3 months LIBOR based plus margin	12 monthly installments commencing from March 2021	-	177,866	-
Trinco Holiday Resorts (Pvt) Ltd	AWPLR minus margin	13 monthly installments commencing from April 2021 after 12 months grace period	Letter of comfort from John Keells Hotels PLC	94,238	91,000
	1 month LIBOR plus margin	8 quarterly installments commencing from September 2021	-	63,152	39,480
Waterfront Properties (Pvt) Ltd	1 month LIBOR plus margin	13 quarterly installments commencing from September 2019	Freehold and leasehold land of LKR 11.4 Bn.	58,505,919	41,044,683
Yala Village (Pvt) Ltd	1 month LIBOR plus margin	8 quarterly installments commencing from September 2021	-	28,463	26,300
	Fixed rate	18 monthly installments commencing from June 2021 after 6 months grace period	LKR 21.4Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	21,712	-
Whittal Boustead Travel Ltd	364-days Treasury Bills rate plus margin	24 monthly installments commencing from March 2021 after a 6 months grace period	-	101,400	95,547
Walkers Tours Ltd	Fixed rate	23 monthly installment commencing from September 2021 after 6 months grace period	-	250,342	251,439
				128,473,113	56,131,366

38. Employee benefit liabilities

Accounting Policy

Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

Other long term employee benefit

A new Long-Term Incentive Plan (LTI) has been launched for senior employees of the Group. The overall incentive will be paid in cash as a lump sum payment upon achievement of key performance indicators linked to the five year strategic plan in place.

The Liability recognised in respect other long term employee benefits are measured as the present value of the estimated future cash outflows expected to be made by the Group in relation to the performance and the services of the relevant employees, up to the reporting date.

38.1 Employee benefit liabilities

		GROUP		COMPANY	
As at 31 March In LKR '000s	Note	2021	2020	2021	2020
Employee defined benefit plan - gratuity	38.2	2,330,114	2,073,046	123,194	107,318
Other long term employee benefit	38.3	483,892	270,865	108,175	64,132
At the end of the year		2,814,006	2,343,911	231,369	171,450

38.2 Employee defined benefit plan - gratuity

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
At the beginning of the year	2,073,046	1,990,197	107,318	135,630
Current service cost	233,577	235,405	9,904	8,254
Transfers	-	-	(1,137)	(21,640)
Interest cost on benefit obligation	204,805	195,095	11,805	14,919
Payments	(276,410)	(238,597)	(6,831)	(22,005)
(Gain)/Loss arising from changes in assumptions	95,096	(109,054)	2,135	(7,840)
At the end of the year	2,330,114	2,073,046	123,194	107,318
The expenses are recognised in the income statement in the following line items;				
Cost of sales	218,109	205,689	2,895	2,171
Selling and distribution expenses	44,986	25,895	-	-
Administrative expenses	175,287	198,916	18,814	21,002
	438,382	430,500	21,709	23,173

38.3 Other long term employee benefits

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
At the beginning of the year	270,865	95,629	64,132	21,379
Current service cost	192,058	161,640	37,701	40,829
Interest cost	20,969	13,596	6,342	1,924
At the end of the year	483,892	270,865	108,175	64,132

Accounting judgements , estimates and assumptions

Employee benefit liability - gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:

As at 31 March	2021	2020
Discount rate	7.00% - 9.00%	10.00% - 11.00%
Future salary increases	6.00% - 8.00%	6.00% - 8.00%

38.4 Sensitivity of assumptions used

A percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity.

As at 31 March	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Discount rate:				
1% Increase	(100,137)	(119,625)	(6,955)	(4,392)
1% Decrease	110,514	78,005	7,673	4,738
Salary Increment rate:				
1% Increase	111,402	85,654	7,867	5,008
1% Decrease	(102,399)	(80,440)	(7,249)	(4,714)

38. Employee benefit liabilities (Contd.)

38.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan - gratuity in future years.

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Within the next 12 months	218,929	255,016	44	1,725
Between 1 and 2 years	222,511	261,187	12,002	10,501
Between 2 and 5 years	996,578	876,112	21,006	28,902
Between 5 and 10 years	667,551	618,574	73,659	66,190
Beyond 10 years	224,545	62,157	16,483	-
Total expected payments	2,330,114	2,073,046	123,194	107,318
Weighted average duration (years) of defined benefit obligation	7.45	7.95	12.26	6.81

39. Non current financial liabilities

Accounting policy

Group classifies all financial non current liabilities under non current financial liabilities which include forward contract liabilities and construction retention liabilites of the Waterfront integrated resort project.

As at 31 March In LKR '000s	2021	2020
Forward contract liability	413,466	544,646
Construction retention	3,247,486	3,075,217
	3,660,952	3,619,863

40. Other non current liabilities

Accounting policy

Group classifies all non financial non current liabilities under other non current liabilities which include non refundable advances and deposits.

As at 31 March In LKR '000s	2021	2020
Advances received	-	3,088,730
Contract liabilities	19,386,170	9,407,028
Deposits	101,057	117,947
Other deferred liabilities	58,428	204
	19,545,655	12,613,909

41. 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 payables are classified as current liabilities if payment is due within one year.

As at 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Trade and other payables	34,037,021	22,849,584	372,711	423,393
Contract Liabilities	112,665	72,868	-	-
Reinsurance payables	670,785	453,444	-	-
Advances and deposits	467,229	505,583	-	-
	35,287,700	23,881,479	372,711	423,393

Trade and other payables are non-interest bearing and settled within one year. Reinsurance payables are settled within one year. For further explanation on the Group's liquidity risk management process refer Note 11.2.2.

42. Short term borrowings

Accounting policy

Short term borrowings are the interest bearing borrowings of the Group which fall due within 12 months from the end of the financial year. These are obtained for working capital requirements.

	GROUP	
As at 31 March **In LKR '000s**	**2021**	**2020**
Bank borrowings	6,903,737	5,803,771
	6,903,737	5,803,771

43. Other current liabilities

Accounting policy

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

	GROUP		COMPANY	
As at 31 March **In LKR '000s**	**2021**	**2020**	**2021**	**2020**
Non refundable deposits	518,057	588,252	-	2,566
Contract liabilities	758,085	877,378	-	-
Other tax payables	457,256	157,507	20,796	809
	1,733,398	1,623,137	20,796	3,375

44. Related party transactions

Terms and conditions of transactions with related parties

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

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the "Report of the Related Party Transaction Review Committee" and Group directory.

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

The sales to & purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2020 audited financial statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions,

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2020 audited financial Statements, which required additional disclosures in the 2020/21 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

44.1 Amounts due from related parties

		GROUP		COMPANY	
As at 31 March **In LKR '000s**	**Note**	**2021**	**2020**	**2021**	**2020**
Subsidiaries	44.5	-	-	1,379,839	353,184
Equity accounted investees		123,553	389,766	85,977	328,433
Key management personnel		-	-	-	-
		123,553	389,766	1,465,816	681,617

44. Related party transactions (Contd.)

44.2 Amounts due to related parties

As at 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Subsidiaries	44.6	-	-	13,181	777
Equity accounted investees		1,385	2,073	-	-
Key management personnel		-	-	-	-
		1,385	2,073	13,181	777

44.3 Transactions with related parties

For the year ended 31 March In LKR '000s	Note	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Subsidiaries					
Purchases of goods		-	-	5,996	2,470
Rendering of services	44.5	-	-	1,307,624	1,122,614
Receiving of services	44.6	-	-	428,543	123,341
Rent paid		-	-	31,641	40,095
Dividend received		-	-	3,959,814	4,137,917
Equity accounted investees					
Sale of goods		8,381	12,405	-	-
Rendering of services	44.5	482,220	474,648	338,096	334,672
Receiving of services		163,712	231,860	-	269
Interest received	44.4	67,987	75,859	10,721	16,512
Interest paid	44.4	13,730	5,915	2	-
Dividend received		-	-	4,386,446	2,229,693
Key management personnel (KMP)					
Sale of goods		-	-	-	-
Close family members of KMP					
Sale of goods		-	-	-	-
Companies controlled / jointly controlled / significantly Influenced by KMP and their close family members					
Sale of goods		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		261,102	269,690	50,407	53,621

44.4 Transactions with related parties - Associates

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Nations Trust Bank PLC				
Interest received	67,987	75,859	10,721	16,512
Interest paid	13,730	5,915	2	-

The Group held interest bearing deposits of LKR 1,023 Mn (2020 - LKR 1,370 Mn) at Nations Trust Bank PLC as at 31 March 2021.

44.5 Related party transactions and balances

For the year ended/As at 31 March In LKR '000s	COMPANY Rendering of services 2021	 2020	 Amounts due from 2021	 2020
Subsidiaries				
Asian Hotels and Properties PLC	55,255	62,723	9,776	6,961
Beruwala Holiday Resorts (Pvt) Ltd	12,350	12,254	1,235	4,135
Ceylon Cold Stores PLC	162,226	94,178	208,835	24,902
Ceylon Holiday Resorts Ltd	12,968	8,181	1,268	2,189
Cinnamon Hotel Management Services Ltd	56,568	59,284	6,010	11,238
Fantasea World Investments (Pvt) Ltd	5,809	3,360	854	574
Habarana Lodge Ltd	10,236	10,490	1,041	1,832
Habarana Walk Inn Ltd	8,395	8,473	3,150	1,464
Hikkaduwa Holiday Resorts (Pvt) Ltd	10,206	10,762	999	2,192
InfoMate (Pvt) Ltd	48,792	43,478	3,474	6,938
JayKay Marketing Services (Pvt) Ltd	363,285	201,434	63,912	48,252
John Keells Information Technologies (Pvt) Ltd	76,727	77,090	63,245	112,203
John Keells International (Pvt) Ltd	5,627	6,030	3,158	-
John Keells Logistics (Pvt) Ltd	36,455	43,046	8,264	10,777
John Keells Maldivian Resorts (Pte) Ltd	3,983	4,044	913	588
John Keells Office Automation (Pvt) Ltd	33,544	33,933	19,412	11,996
John Keells PLC	16,560	18,578	1,080	382
John Keells Stock Brokers (Pvt) Ltd	9,917	9,678	-	945
John Keells Teas Ltd	2,407	1,550	270	789
John Keells Warehousing (Pvt) Ltd	3,323	2,331	324	208
Kandy Walk Inn Ltd	10,065	9,250	1,048	851
Keells Consultants (Pvt) Ltd	4,198	3,118	13,109	777
Keells Food Products PLC	38,554	37,764	3,947	4,342
Lanka Marine Services Ltd	13,814	14,783	2,553	1,644
Mack Air (Pvt) Ltd	12,771	17,582	356	1,445
Mackinnon Keells Ltd	1,829	1,488	-	261
Mackinnons Travels (Pvt) Ltd	11,290	13,370	878	2,247
Rajawella Holdings Ltd	5,772	5,359	1,144	2,763
Tea Small Holder Factories PLC	2,224	2,466	236	396
The Colombo Ice Company (Pvt) Ltd	11,702	10,235	1,126	2,765
Tranquility (Pte) Ltd	12,226	9,892	1,969	1,753
Trans Asia Hotels PLC	38,298	41,908	-	4,072
Travel Club (Pvt) Ltd	5,349	5,435	867	503
Trinco Holiday Resorts (Pvt) Ltd	8,531	7,810	880	1,182
Union Assurance PLC	97,810	74,052	944,644	38,674
Walkers Tours Ltd	37,800	49,866	3,023	9,008
Waterfront properties (Pvt) Ltd	-	53,453	-	14,854
Whittall Boustead (Pvt) Ltd	23,230	23,252	1,493	5,082
Whittall Boustead (Travel) Ltd	8,438	10,284	1,054	4,020
Yala Village (Pvt) Ltd	8,774	9,922	904	2,612
Other subsidiaries	20,316	10,428	3,388	5,368
	1,307,624	1,122,614	1,379,839	353,184

44. Related party transactions (Contd.)
44.5 Related party transactions and balances (Contd.)

For the year ended/As at 31 March In LKR '000s	COMPANY Rendering of services 2021	2020	Amounts due from 2021	2020
Joint ventures				
DHL Keells (Pvt) Ltd	318,378	314,009	70,049	158,292
Braybrooke Residential Properties (Pvt) Ltd	651	848	1,479	891
Sentinel Reality (Pvt) Ltd	23	111	76	50
Associates				
Fairfirst Insurance Ltd	37	-	400	12,635
Nations Trust Bank PLC	-	-	1,401	149,243
Saffron Aviation (Pvt) Ltd	3,705	4,167	334	1,219
Sancity Hotels and Properties Ltd	9,679	9,897	5,813	2,643
South Asia Gateway Terminals (Pvt) Ltd	5,623	5,640	6,425	3,460
	338,096	334,672	85,977	328,433

44.6 Related party transactions and balances

For the year ended/As at 31 March In LKR '000s	COMPANY Receiving of services 2021	2020	Amounts due to 2021	2021
Subsidiaries				
Asian Hotels and Properties PLC	3,033	4,901	-	-
InfoMate (Pvt) Ltd	5,581	5,690	-	-
Trans Asia Hotels PLC	25,710	3,275	1,632	-
John Keells Information Technologies (Pvt) Ltd	377,163	90,494	-	-
Whittall Boustead (Pvt) Ltd	9,819	7,968	-	-
Other subsidiaries	7,237	11,013	11,549	777
	428,543	123,341	13,181	777
Joint ventures				
DHL Keells (Pvt) Ltd	-	227	-	-
Associates				
Sancity Hotels and Properties Ltd	-	42	-	-
	-	269	-	-

44.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

For the year ended 31 March In LKR '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Short-term employee benefits	381,202	405,481	115,268	136,706
Post employment benefits	7,459	7,549	2,541	1,879
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	91,142	80,634	29,275	30,363
	479,803	493,664	147,084	168,948

Directors' interest in the employee share option plan of the Company

As at 31 March 2021, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

	COMPANY				
	2021			2020	
Expiry date	Adjusted exercise price LKR	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period
24.06.2020	-	-	-	502,522	502,522
14.08.2021	142.83	600,000	600,000	600,000	450,000
02.07.2022	173.25	725,000	543,750	725,000	362,500
21.06.2023	154.10	880,000	440,000	880,000	220,000
30.06.2024	136.97	880,000	220,000	880,000	-
30.06.2025	132.86	880,000	-	-	-

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

NOTES TO THE FINANCIAL STATEMENTS

OTHER DISCLOSURES

45. Contingent liabilities

Accounting policy

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of: the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15). Contingent assets are disclosed, where inflow of economic benefit is probable.

The contingent liability of the Company and the Group as at 31 March 2021, relates to the following;

John Keells Holdings PLC (JKH)

The contingent liability of the Company as at 31 March 2021, relates to the following:

Income tax assessment relating to year of assessment 2006/07.

The Company has lodged appeals against the assessment and is contesting it under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2021, is estimated at LKR. 54 Mn.

Ceylon Cold Stores PLC (CCS)

The contingent liability of CCS as at 31 March 2021, relates to the Following:

Income tax assessments relating to years of assessment 2011/12 to 2013/2014. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2021 is estimated at Rs.36.5 Mn.

Kandy Walk Inn Ltd (KWIL)

The contingent liability of KWIL as at 31 March 2021, relates to the following:

Income tax assessment relating to year of assessment 2016/17. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2021 is estimated at LKR. 5.4 Mn.

Lanka Marine Services (Pvt) Ltd (LMS)

The contingent liability of LMS as at 31 March 2021, relates to the following:

Assessment of Turnover tax levied by the Western Provincial Council for the period from 1 January 2003 to 31 December 2004. The company has lodged appeals against the assessment and is contesting these under appellate procedure.

Income tax assessment relating to years of assessment from 2001/02 to 2017/18. The company has lodged appeals against the assessments and is contesting these under the appellate procedure.
Apart from the procedural grounds of appeal, the substantive issue under dispute is the position taken by the company that the sale of bunker to foreign ships is an export and is entitled to the exemptions/ concessions attached thereto.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2021, is estimated at LKR. 1,233 Mn.

Mackinnons Travels (Pvt) Ltd (MTL

The contingent liability of MTL as at 31 March 2021, relates to the following;

Value Added Tax assessments relating to the periods from 1 April 2009 to 31 March 2011 and 1 January 2017 to 31 July 2018.
The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2021 is estimated at LKR. 83 Mn.

Trans Asia Hotels PLC (TAH)

The contingent liability of TAH as at 31 March 2021, relates to the following:

Income tax assessments relating to years of assessments 2012/13 to 2017/2018. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2021 is estimated at LKR. 157.6 Mn.

Walkers Tours Ltd (WTL)
The contingent liability of WTL as at 31 March 2021, relates to the following:

Economic Service Charge assessment relating to the year of assessment 2014/15. The company has lodged an appeal against the assessment and is contesting it under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2021, is estimated at LKR. 10.5 Mn.

Union Assurance PLC (UA)
The contingent liability of UA PLC as at 31 March 2021, relates to the following;

Value Added Tax assessments relating to the periods from 1 April 2016 to 31 December 2017.

The company has lodged appeals against the assessments and is contesting these under appellate procedure. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2021, is estimated at LKR. 13.9 Mn.

Financial Services VAT and NBT assessments relating to the periods from 1 January 2016 to 31 December 2017.

The company has lodged appeals against the assessments and is contesting these under appellate procedure. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2021, is estimated at LKR. 405 Mn.

Income Tax Assessments received for years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16,2016/17 and 2017/18. The assessments were raised for the above years of assessments by making life insurance income liable to pay income taxes of LKR. 13 Mn, LKR. 132 Mn, LKR. 411 Mn, LKR. 175 Mn, LKR. 887 Mn, LKR. 832 Mn, Rs. 472 Mn and LKR 749 Mn respectively. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment from 2010/11 to 2017/18 and accordingly have concluded that the above assessments have no rationale or basis in law.

46. Capital and other commitments

	GROUP		COMPANY	
As at 31 March **In LKR '000s**	**2021**	**2020**	**2021**	**2020**
Capital commitments approved but not provided for	30,438,691	47,751,815	-	-
Guarantees	1,877,615	1,843,256	3,117,000	117,000
	32,316,306	49,595,071	3,117,000	117,000

47. Assets pledged

Assets pledged for facilities obtained are given in Note 37.2 to the financial statements.

48. Events after the reporting period

Final dividend

The Board of Directors of the Company has declared a final dividend of LKR 0.50 per share for the financial year ended 31 March 2021. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on or before 25 June 2021.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2021.

EVOLVING

SUPPLEMENTARY INFORMATION

HISTORY OF THE JOHN KEELLS GROUP

1870-1970

1870 – Two English brothers, George and Edwin John set up E. John & Co, a firm of produce and exchange brokers.

1948 –Merged with two other London based tea brokers, thereby evolving into a private liability company by the name of E. John, Thompson, White & Company Ltd.

1960 – Amalgamated with Keell and Waldock Ltd, another long-established produce, share and freight broking company. The company changed its name to John Keell Thompson White Ltd.

1971-1990

1973 – Acquired Walkers Tours and Travels (Ceylon) Ltd, a leading inbound tour operator.

1974 – The firm became a Rupee quoted public company with its name changed to John Keells Ltd.

1986 – A newly incorporated John Keells Holdings (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

1991-2000

1991 – Acquired the Whittalls Group of Companies, thereby gaining control of Ceylon Cold Stores, Ceylon Holiday Resorts, and Union Assurance. The acquisition was one of the largest deals of the time.

1994 – JKH became the first Sri Lankan company to obtain a listing overseas, by way of issuing Global Depository Receipts (GDRs) on the Luxembourg Stock Exchange.

1996 – Velidhu Resort Hotel, an 80-roomed island resort in the Maldives, was acquired. This marked the Group's first major investment overseas.

1999 – Nations Trust Bank (NTB) was established, through a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. The South Asia Gateway Terminal (SAGT) commenced operations at the Port of Colombo.

2000 – JKH became the first Sri Lankan company to obtain the SL-AAA credit rating from Fitch Ratings.

2001-2007

2003 – JKH acquired Asian Hotels and Properties, thereby gaining control of 40 per cent of the 5-star room capacity in Colombo.

2004 - John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. The Group's CSR arm, the John Keells Social Responsibility Foundation was established as a non-profit organisation.

2005 - The Group launched its hotel brand 'Cinnamon Hotels & Resorts'. JKH entered into an MoU to develop a third resort in the Maldives. Keells Plantations was divested, marking the Group's exit from the ownership of plantations. JKH also entered into the BPO space through a joint venture with Raman Roy Associates.

2006 - The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. The Group also increased its stake in SAGT by 8 per cent to 34 per cent. John Keells Holdings Ltd was renamed John Keells Holdings PLC.

2007 - Cinnamon Island Alidhoo commenced operations. The Group signed a long-term funding arrangement amounting to USD 75 million with IFC.

2008-2010

2008 - JKH acquired a further 8.4 per cent in SAGT and also increased stakes in UA, CCS, JKL and KFPL

2009 - JKH's market capitalisation surpassed USD 1 billion.

2010 - The head lease of Alidhoo Island was divested while the head lease of Dhonveli Island was acquired for a period of 18 years. Construction of 'OnThree20', a 475-unit apartment complex in the heart of Colombo commenced. JKH increased its stake in UA to 95.6 per cent.

2011-2014

2011/12 - 'The Emperor' apartment project at Crescat City, Colombo reached completion.

2012/13 - 'Cinnamon Bey', a 200-room five-star resort was launched. 'K-Zone', a 140,000 sq. ft. mall was opened in Ja-Ela, Colombo. Keells Food Products PLC and Union Assurance PLC successfully raised Rs. 1.2 billion and Rs. 720 million respectively, via rights issues.

2013/14 - The market capitalisation of JKH exceeded USD 2 billion for the first time in the Group's history. The 'Waterfront' integrated resort project, referred to as 'Cinnamon Life' at present, was announced to the public.

2014/15 - 'Cinnamon Red Colombo', the first lean luxury hotel in Sri Lanka, was launched. The 'OnThree20' residential development project was successfully completed. Union Assurance was segregated as per a regulatory directive, and the General Insurance segment was divested.

2015 - Present

2015/16 - Waterfront Properties (Private) Limited raised the necessary debt funding for the 'Cinnamon Life' project, by way of the largest syndicated debt facility obtained by a local firm. A controlling stake in Rajawella Holdings Ltd (RHL) was acquired for Rs. 1.04 billion. The Group raised Rs. 8 billion by converting 50 million warrants, '7th Sense' on Gregory's Road, a high end, niche, residential development was completed.

2017/18 - JMSL launched a new store format for its 'Keells' supermarkets. NTB launched 'FriMi', the country's first digital bank, enabling the opening of a bank account through a smart device. JKH launched 'Tri-Zen', an 891-apartment joint venture residential development.

2018/19 - The new ice cream factory was completed in Seethawaka. The 'Keells' brand was launched with the completion of a refit and rebranding across all supermarket outlets.

2019/20 - CY2020 marked a significant milestone for the Group, given 150 years of being in business. OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence was formally initiated as a division under JKH. The newly reconstructed 159-room 'Cinnamon Bentota Beach' commenced operations as the Group's flagship 'Cinnamon' hotel. Keells Food Products (KFP) commenced production of a pioneering Instant Rice, branded 'Ezy rice'. Union Assurance (UA) underwent a brand change, centred around the theme, 'Your Life, Our Strength'.

DECADE AT A GLANCE

31 March LKR Mn	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
OPERATING RESULTS										
Group revenue	127,676	138,956	135,456	121,215	106,273	93,710	91,852	86,706	85,408	75,924
EBIT	7,931	15,508	20,198	28,155	23,324	20,192	19,226	16,537	16,677	14,192
Finance cost	(4,669)	(3,166)	(2,722)	(521)	(436)	(994)	(668)	(1,217)	(1,081)	(1,416)
Share of results of equity accounted investees (net of tax)	4,159	4,466	4,727	3,596	3,303	2,781	2,778	3,089	3,440	2,809
Profit before tax	5,445	12,403	18,616	27,634	22,888	19,198	18,557	15,320	15,595	12,778
Tax expense	(1,494)	(2,662)	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)	(2,162)	(1,827)
Profit after tax	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951
Attributable to:										
Equity holders of the parent	4,772	9,414	15,254	21,021	16,275	14,070	14,348	11,721	12,113	9,689
Non-controlling interests	(821)	327	983	2,099	1,842	1,722	1,397	1,237	1,320	1,262
	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951
CAPITAL EMPLOYED										
Stated capital	63,102	62,881	62,806	62,802	62,790	58,702	50,703	49,749	26,480	25,111
Capital reserves and other components of equity	72,403	66,085	58,646	49,852	38,652	28,715	24,501	21,845	20,635	13,226
Revenue reserves	90,652	87,885	82,834	87,266	77,193	67,565	62,594	51,304	42,704	33,001
	226,157	216,851	204,286	199,920	178,635	154,982	137,798	122,898	89,819	71,338
Non-controlling interest	16,830	26,872	26,072	24,944	15,696	13,499	12,279	11,421	11,152	8,624
Total equity	242,987	243,723	230,358	224,864	194,331	168,481	150,077	134,319	100,971	79,962
Total debt	172,904	100,907	54,513	29,722	22,766	20,750	23,934	26,139	20,107	20,054
	415,891	344,630	284,871	254,586	217,097	189,231	174,011	160,458	121,078	100,016
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	113,077	111,534	97,688	87,260	64,396	52,737	49,563	47,406	49,200	34,246
Non-current assets other than PP&E	257,226	204,360	170,687	136,427	107,912	93,376	78,030	71,969	59,787	52,397
Current assets	166,491	121,050	95,421	98,762	104,964	94,863	90,493	82,206	49,934	47,412
Liabilities net of debt	(120,903)	(92,314)	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)	(37,843)	(34,039)
	415,891	344,630	284,871	254,587	217,097	189,231	174,011	160,458	121,078	100,016
CASH FLOWS										
Net cash flows from operating activities	13,825	(10,350)	(4,743)	16,012	21,020	20,513	20,855	8,041	14,568	16,476
Net cash flows from / (used in) investing activities	(44,944)	(27,039)	(8,452)	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)	(16,199)	(9,003)
Net cash flows from / (used in) financing activities	55,427	18,431	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)	25,446	(1,320)	496
Net increase / (decrease) in cash and cash equivalents	24,308	(18,959)	(14,709)	(5,215)	(755)	3,229	14,762	13,777	(2,951)	7,969
KEY INDICATORS										
Basic earnings per share (Rs.)	3.62	7.14	11.13	15.20	11.9	10.5	12.6	10.5	10.7	9.5
Interest cover (no. of times)	1.7	4.9	7.8	54	52.8	51.5	27.7	13.6	15.4	10.0
Net assets per share** (Rs.)	171.4	164.3	154.9	151.7	135.5	117.6	104.5	93.2	68.1	54.1
Enterprise value (EV)	244,679	186,236	210,020	187,926	136,022	124,182	155,675	124,182	203,615	166,143
EV / EBITDA	15.7	9.2	8.5	5.8	5.0	5.0	6.6	10.0	10.0	13.1
ROE (%)	2.2	4.5	7.5	11.1	9.8	9.6	11. 0	11.0	15.0	14.7
Debt / equity ratio (%)	71.2	41.4	23.7	13.2	11.7	12.3	15.9	19.5	19.9	25.0
Dividend payout (Rs. Mn)	1,978	4,614	8,186	8,325	7,280	8,038	3,476	3,267	2,982	2,314
Current ratio (no. of times)	2.3	2.1	1.7	3.0	3.7	4.0	2.6	2.4	2.0	2.0
Market price per share unadjusted (Rs.)	148.5	115.4	156.0	159.6	137.9	148.0	199.4	227.0	247.0	206.0
Market price per share diluted (Rs.)	148.5	115.4	156.0	159.6	137.9	129.5	192.7	173.8	238.2	152.6
Revenue growth rate (%)	-8.1	2.6	11.8	14.1	13.4	1.6	5.9	4.1	9.7	25.5
USD closing rate (Rs.)	200.3	189.6	175.5	155.9	151.9	147.7	133.5	130.7	126.8	128.1
USD average rate (Rs.)	189.0	179.4	168.6	153.6	148.0	139.2	131.2	130.1	129.9	112.6

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2021

ECONOMIC VALUE STATEMENT

For the year ended 31 March LKR. Mn	Transportation 2021	Transportation 2020	Consumer Foods 2021	Consumer Foods 2020	Retail 2021	Retail 2020	Leisure 2021	Leisure 2020	Property 2021	Property 2020
Direct economic value generated										
Revenue	18,403	25,066	18,298	18,694	70,400	64,900	6,079	19,323	1,109	1,072
Finance income	143	173	50	845	110	28	458	783	151	409
Share of results of associates	2,423	2,997	-	-	-	-	(71)	(8)	99	95
Profit on sale of assets & other income	236	164	981	353	1,868	1,763	452	312	64	(62)
Valuation gain on IP	-	-	4	42	-	-	16	22	(291)	455
	21,205	28,400	19,333	19,934	72,378	66,691	6,934	20,432	1,132	1,969
Economic value distributed										
Operating costs	16,266	25,335	10,363	10,612	61,697	57,862	4,686	11,557	839	1,234
Employee wages & benefits	728	820	2,892	2,863	3,914	3,454	4,105	5,021	375	359
Payments to providers of funds	546	932	2,325	2,579	2,548	2,213	539	1,231	20	90
Payments to government	142	143	1,088	1,664	499	277	47	364	65	46
Community investments	6	6	25	14	11	19	4	10	-	1
	17,688	27,236	16,693	17,732	68,669	63,825	9,381	18,183	1,299	1,730
Economic value retained										
Depreciation	202	195	853	844	1,181	1,063	2,207	1,818	46	35
Amortisation	61	2	10	9	1,055	850	1,557	1,413	23	27
Profit after dividends	3,254	967	1,777	1,349	1,473	953	(6,211)	(982)	(236)	177
Retained for reinvestment / growth	3,517	1,164	2,640	2,202	3,709	2,866	(2,447)	2,249	(167)	239

Above data has been derived from the audited Financial Statements that were prepared based on Sri Lanka Accounting Standards (SLFRS/LKAS).
This report has been prepared in accordance with the GRI Standards: Core option

Financial Services		Others		Total		Eliminations/ Adjustments		Group Total			
2021	2020	2021	2020	2021	2020	2021	2020	2021	%	2020	%
13,603	11,251	6,358	5,976	134,250	146,282	(6,574)	(7,326)	127,676	88.11	138,956	89.31
5,450	4,785	13,067	10,342	19,429	17,365	(8,740)	(8,008)	10,689	7.38	9,357	6.01
1,708	1,382	-	-	4,159	4,466	-	-	4,159	2.87	4,466	2.87
42	50	1,861	2,082	5,504	4,662	(2,877)	(2,420)	2,627	1.81	2,242	1.44
-	-	18	54	(253)	573	-	-	(253)	(0.17)	573	0.37
20,803	17,468	21,304	18,454	163,089	173,348	(18,191)	(17,754)	144,898	100.00	155,594	100.00
14,944	13,639	12,129	8,169	120,924	128,408	(10,947)	(17,591)	109,977	75.90	110,817	71.22
1,351	1,226	1,977	2,062	15,342	15,805	-	-	15,342	10.59	15,805	10.16
1,178	1,324	3,707	5,264	10,863	13,633	(4,444)	(5,630)	6,419	4.43	8,003	5.14
307	-	918	756	3,066	3,250	-	-	3,066	2.12	3,250	2.09
13	1	76	5	135	56	-	-	135	0.09	56	0.04
17,793	16,190	18,807	16,256	150,330	161,152	(15,391)	(23,221)	134,939	93.13	137,931	88.65
84	86	153	144	4,726	4,185	-	-	4,726	3.26	4,185	2.69
508	436	47	32	3,261	2,769	-	-	3,261	2.25	2,769	1.78
2,418	756	2,297	2,022	4,772	5,242	(2,800)	5,467	1,972	1.36	10,709	6.88
3,010	1,278	2,497	2,198	12,759	12,196	(2,800)	5,467	9,959	6.87	17,663	11.35

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Income Statement

for information purposes only

For the year ended 31 March In USD '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
Continuing operations				
Revenue from contracts with customers	571,415	674,145	8,173	7,711
Revenue from Insurance Contracts	66,007	58,647	-	-
Total Revenue	637,422	732,792	8,173	7,711
Cost of sales	(542,921)	(595,249)	(4,780)	(5,247)
Gross profit	94,501	137,543	3,393	2,464
Dividend income	-	-	41,669	33,580
Other operating income	13,113	11,822	203	241
Selling and distribution expenses	(23,770)	(29,102)	-	-
Administrative expenses	(64,542)	(69,311)	(5,243)	(6,254)
Other operating expenses	(6,562)	(15,150)	(107)	(137)
Results from operating activities	12,740	35,802	39,915	29,894
Finance cost	(23,311)	(16,694)	(6,215)	(1,250)
Finance income	53,364	49,347	23,052	20,157
Change in insurance contract liabilities	(35,106)	(29,624)	-	-
Change in fair value of investment property	(1,265)	3,024	-	-
Share of results of equity accounted investees (net of tax)	20,763	23,554	-	-
Profit before tax	27,185	65,409	56,752	48,801
Tax expense	(7,460)	(14,040)	4,000	(3,240)
Profit for the year	19,725	51,369	52,752	45,561
Attributable to:				
Equity holders of the parent	23,825	49,645		
Non-controlling interests	(4,100)	1,724		
	19,725	51,369		
Earnings per share				
Basic earnings per ordinary share	0.02	0.04		
Diluted earnings per ordinary share	0.02	0.04		

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 200.30 (2020 - 189.62) have been used to convert the income statement and statement of financial position.

Statement of Financial Position

for information purposes only

As at 31 March In USD '000s	GROUP 2021	GROUP 2020	COMPANY 2021	COMPANY 2020
ASSETS				
Non-current assets				
Property, plant and equipment	564,536	588,181	553	761
Right- of - use assets	202,780	196,020	-	-
Investment property	74,225	79,146	-	-
Intangible assets	24,229	17,345	487	541
Investments in subsidiaries	-	-	505,914	463,209
Investments in equity accounted investees	142,935	149,397	52,905	54,750
Non-current financial assets	312,480	211,356	87,924	1,503
Deferred tax assets	5,437	4,759	-	-
Other non-current assets	522,118	419,685	463	99
	1,848,740	1,665,889	648,246	520,863
Current assets				
Inventories	271,074	264,568	-	-
Trade and other receivables	87,153	64,265	573	662
Amounts due from related parties	617	2,055	7,318	3,595
Other current assets	29,553	34,349	853	5,932
Short term investments	345,795	202,811	257,569	144,348
Cash in hand and at bank	97,017	70,316	1,525	932
	831,209	638,364	267,838	155,469
Total assets	2,679,949	2,304,253	916,084	676,332
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	315,036	331,609	315,036	331,609
Revenue reserves	452,581	463,468	340,573	314,470
Other components of equity	361,473	348,505	18,077	14,370
	1,129,090	1,143,582	673,686	660,449
Non-controlling interest	84,024	141,712	-	-
Total equity	1,213,114	1,285,294	673,686	660,449
Non-current liabilities				
Insurance contract liabilities	225,465	201,376	-	-
Interest-bearing loans and borrowings	593,937	268,558	220,567	1,528
Lease liabilities	120,993	104,998	-	-
Deferred tax liabilities	38,543	43,744	-	-
Employee benefit liabilities	14,049	12,361	1,155	904
Non-current financial liabilities	18,277	19,090	-	-
Other non-current liabilities	97,582	66,520	-	-
	1,108,846	716,647	221,722	2,432
Current liabilities				
Trade and other payables	176,174	125,941	1,861	2,233
Amounts due to related parties	7	11	66	4
Income tax liabilities	9,926	9,216	3,582	2,054
Short term borrowings	34,467	30,607	-	-
Interest-bearing loans and borrowings	47,466	27,454	15,014	1,667
Lease liabilities	7,350	7,292	-	-
Other current financial liabilities	14,933	-	-	-
Other current liabilities	8,654	8,560	104	18
Bank overdrafts	59,012	93,231	49	7,475
	357,989	302,312	20,676	13,451
Total equity and liabilities	2,679,949	2,304,253	916,084	676,332

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 200.30 (2020 - 189.62) have been used to convert the income statement and statement of financial position.

GROUP REAL ESTATE PORTFOLIO

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Land in acres Leasehold	Net book value 2021 LKR '000s	Net book value 2020 LKR '000s
PROPERTIES IN COLOMBO						
John Keells PLC						
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	-	0.08	-	1,250	1,250
Keells Realtors Ltd						
427 & 429, Ferguson Road, Colombo 15.	2	27,750	1.22	-	405,060	405,060
Mackinnon Keells Ltd						
Leyden Bastian Road, York Street, Colombo 01.	1	31,656	0.45	-	703,646	703,646
Union Assurance PLC						
No 20, St. Michaels' Road, Colombo 03.	1	57,910	0.58	-	1,949,985	2,225,438
Vauxhall Developments (Pvt) Ltd						
No.199 ,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	3.56	-	8,832,830	8,832,830
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2.	-	-	2.09	-	5,183,200	5,183,200
No. 186, 186/3 Vauxhall Street, Colombo 2.	-	-	3.72	-	9,236,605	9,236,605
John Keells Property Developments						
No. 12, 12/1, 12/2, 12/2A, 12/3, Tickell Road, Borella.	-	-	0.62	-	1,137,120	1,137,120
Glennie Properties (Pvt) Ltd						
No.82, Glennie Street, Colombo 02.	-	-	0.08	-	181,800	181,800
John Keells Logistics (Pvt) Ltd						
No.11, York Street, Colombo 01.	3	147,500	-	-	160,146	-
	14	474,300	12.40	-	27,791,642	27,906,950
PROPERTIES OUTSIDE COLOMBO						
Ceylon Cold Stores PLC						
Kaduwela.	21	313,024	27.35	-	1,551,254	1,503,548
Trincomalee.	3	19,071	1.06	-	300,295	296,422
Facets (Pvt) Ltd						
Ahungalla.	-	-	6.31	-	443,800	438,800
John Keells PLC						
17/1, Temple Road, Ekala, Ja-Ela.	-	-	3.77	-	392,535	377,450
John Keells Properties Ja-Ela (Pvt) Ltd						
No 525, Colombo Road, Kapuwatta, Ja-Ela.	1	144,631	6.60	-	2,038,487	1,980,513
John Keells Warehousing (Pvt) Ltd						
Muthurajawela.	3	141,669	-	6.19	356,047	351,168
Keells Food Products PLC						
41, Temple Road, Ekala, Ja-Ela.	8	52,698	3.00	1.00	361,896	343,404
Gonawala, Pannala.	4	41,166	3.86	4.08	347,652	341,992
Logipark International (Pvt) Ltd						
Muthurajawela.	-	-	-	9.00	582,176	582,176
Rajawella Holdings Ltd						
Mahaberiatenna, Kandy.	4	57,998	-	367.83	1,985,862	2,102,538
Tea Smallholder Factories PLC						
Broadlands.	11	61,040	4.14	-	83,345	81,388
Halwitigala.	14	53,432	9.61	-	69,544	69,712
Hingalgoda.	26	65,994	12.04	-	105,278	104,573
Karawita.	12	79,244	-	4.98	121,225	123,923
Kurupanawa.	22	56,634	12.12	-	90,383	88,425
Neluwa.	18	49,552	3.74	-	79,472	80,331
New Panawenna.	8	46,186	10.59	-	58,654	57,675
Peliyagoda.	1	31,629	-	0.98	424,605	426,976
	156	1,213,968	104.19	394.06	9,392,510	9,351,013

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Leasehold	Net book value 2021 LKR '000s	2020 LKR '000s
PROPERTIES OUTSIDE COLOMBO						
The Colombo Ice Company (Pvt) Ltd						
Awissawella.	9	182,937	-	9.30	1,699,430	1,656,655
J K Thudella Properties (Pvt) Ltd						
Tudella, Ja-Ela.	-	-	12.11	-	523,233	523,233
Union Assurance PLC						
No 06,Rajapihilla Road, Kurunegala.	1	27,412	0.18	-	313,856	315,892
Whittall Boustead Ltd						
150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	152,834	152,834
	167	1,428,660	116.94	403.36	12,081,863	11,999,627
HOTEL PROPERTIES						
Asian Hotels and Properties PLC						
Cinnamon Grand Premises, Colombo 2.	4	734,932	8.03	-	25,363,435	25,198,868
Crescat Boulevard, Colombo 2.	1	145,196	1.39	-	6,030,134	6,266,355
Ahungalla Holiday Resort (Pvt) Ltd						
Ahungalla.	-	-	6.51	-	295,250	289,900
Beruwala Holiday Resorts (Pvt) Ltd						
Cinnamon Bey, Beruwala.	5	460,515	11.39	-	3,884,246	3,880,649
Ceylon Holiday Resorts Ltd						
Bentota Beach Hotel, Bentota.	9	334,457	2.32	11.02	4,298,059	2,277,807
Fantasea World Investments (Pte) Ltd						
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	163	236,730	-	18.90	8,371,773	7,686,489
Habarana Lodge Ltd						
Cinnamon Lodge, Habarana.	79	202,999	-	25.48	662,512	731,855
Habarana Walk Inn Ltd						
Chaaya Village, Habarana.	84	121,767	-	9.34	280,376	321,678
Hikkaduwa Holiday Resort (Pvt) Ltd						
Chaaya Tranz, Hikkaduwa.	5	233,965	0.29	4.36	1,220,381	1,280,601
Kandy Walk Inn Ltd						
Cinnamon Citadel, Kandy.	6	173,900	6.57	-	1,605,598	1,620,820
Nuwara Eliya Holiday Resort (Pvt) Ltd						
Nuwara Eliya.	-	-	2.66	-	279,000	276,900
Resort Hotels Ltd						
Medway Estate, Nilaveli.	1	4,485	41.73	-	906,900	900,600
Trans Asia Hotels PLC						
Cinnamon Lake Side, Colombo 2.	2	371,611	-	7.65	6,148,708	6,224,647
Tranquility (Pte) Ltd						
Chaaya Island Dhonveli, Republic of Maldives.	146	261,327	-	17.16	17,491,160	14,614,995
Tranquility (Pte) Ltd						
Velifushi, Republic of Maldives.	145	263,512	-	13.22	6,404,531	6,667,102
Travel Club (Pte) Ltd						
Chaaya Reef Ellaidhoo, Republic of Maldives.	115	178,294	-	13.80	5,121,455	5,406,983
Trinco Holiday Resorts (Pvt) Ltd						
Chaaya Blu, Trincomalee.	9	120,910	13.24	-	1,358,613	1,289,389
Trinco Walk Inn Ltd						
Club Oceanic, Trincomalee.	-	-	14.64	-	369,200	369,200
Wirawila Walk Inn Ltd						
Randunukelle Estate, Wirawila.	-	-	25.15	-	89,300	88,133
Yala Village (Pvt) Ltd						
Cinnamon Wild, Tissamaharama.	76	113,509	-	11.25	487,108	488,440
	850	3,958,109	133.92	132.18	90,667,739	85,881,410
Improvements to Keells Super outlets on leased hold properties and lease rentals paid in advance	124	1,342,272	-	92.37	15,536,349	13,484,868
Consolidated Value of Land and Buildings, Right of Use Assets and investment property	1,155	7,203,341	263.26	627.91	146,077,593	139,272,855

GLOSSARY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ASSET TURNOVER
Revenue including equity accounted investees divided by average total assets.

BETA
Covariance between daily JKH share return and market return divided by variance of daily market return, over a 5-year period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit attributable to equity holders of the parent adjusted for non-cash items minus share of profits of equity accounted investees plus dividends from equity accounted investees divided by the weighted average number of ordinary shares in issue during the period

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing as at the date of the Report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the Report.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Group profits adjusted for non-cash gains items.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest expense and tax (includes other operating income). Note that EBIT includes interest income, fair value gains and losses on investment property, depreciation and amortisation, and share of results of equity accounted investees, but excludes exchange gains or losses on its foreign currency denominated debt and cash.

EBITDA
Earnings before interest expense, tax, depreciation and amortisation (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees, but excludes exchange gains or losses on its foreign currency denominated debt and cash.

EBIT MARGIN
EBIT divided by revenue inclusive of share of equity accounted investees.

EFFECTIVE RATE OF TAXATION
Tax expense divided by profit before tax.

ENTERPRISE VALUE (EV)
Market capitalisation plus net debt/(net cash).

INTEREST COVER
Consolidated profit before interest and tax over interest expense.

LIABILITIES TO TANGIBLE NET WORTH
Total non-current and current liabilities including contingent liabilities divided by tangible net worth.

LONG-TERM DEBT TO TOTAL DEBT
Long-term loans as a percentage of total debt.

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

NET ASSETS
Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NET DEBT (CASH)
Total debt minus cash in hand and at bank minus short term investments minus deposits with a maturity between 1 and 3 years held at the Holding Company, excluding short-term investments under the life fund of UA, restricted regulatory fund at UA and customer advances at the Property Development sector.

NET PROFIT MARGIN
Profit after tax attributable to equity holders of the parent divided by total revenue including equity accounted investees.

PRICE EARNINGS RATIO
Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share (diluted) over net asset value per share.

PRICE TO CASH EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus short-term investments plus receivables, divided by current liabilities.

RECURRING EBITDA/ RECURRING EBIT/ RECURRING PAT/RECURRING PAT TO EQUITY HOLDERS OF THE PARENT
Profit, as applicable, adjusted for the one-off impacts discussed under the Group Consolidated Review section of the Report: Page 40.

RETURN ON ASSETS
Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)
EBIT as a percentage of average capital employed.

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds.

SCOPE 1 AND SCOPE 2
The GHG Protocol has established a classification of GHG emissions called 'Scope': Scope 1, Scope 2 and Scope 3. The GHG emissions standard published by the International Organisation for Standardisation (ISO), 'ISO 14064', represents these classifications of Scope with the following terms:

1. Direct GHG emissions = Scope I
2. Energy indirect GHG emissions = Scope 2

SHAREHOLDERS' FUNDS
Total of stated capital, other components of equity and revenue reserves.

TANGIBLE NET WORTH
Total equity less intangible assets and deferred tax assets.

TOTAL DEBT
Long and short-term loans, including overdrafts, but excluding lease liabilities. Instances where total debt includes lease liabilities are explicitly mentioned.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

WORKING CAPITAL
Current assets minus current liabilities.

DNV

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

Scope and Approach

DNV represented by DNV GL Business Assurance Lanka (Private) Limited (hereafter referred as DNV) has been commissioned by the management of John Keells Holdings PLC ('JKH' or the 'Company', Company Registration Number PQ14) to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information, including sustainability performance, reported in JKH's Annual Report 2020-2021 (the 'Report') in its printed format and web version of the report for the financial year ending 31st March 2021. The sustainability disclosures in this Report are prepared by JKH considering the key requirements of the Global Reporting Initiative ('GRI') Sustainability Reporting Standards 2016 and amendment's to topic specific standards (2018, 2019) ('GRI Standards') in accordance with the Core option of reporting and other frameworks to which JKH subscribes.

We performed a Type 2 Moderate Level of assurance using AccountAbility's AA1000 Assurance Standard v3 (August 2020, 'AA1000AS v3') and DNV's assurance methodology VeriSustain[TM1] , which is based on our professional experience, international assurance best practices including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and the GRI's Principles for Defining Report Content and Quality. Our assurance engagement was planned and carried out during February 2021 – May 2021. The intended user of this assurance statement is the Management of JKH.

The reporting Topic Boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and covers various business sectors of JKH. The Report does not include performance data and information related to the activities of non-operational entities, investment entities and companies holding only land, over which JKH does not exercise operational and management control. This is as set out in the Report in the section 'Scope and Boundary'. The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Management of JKH and of the Assurance Provider

The Management of JKH have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, DNV's responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

DNV provides a range of other services to JKH, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith and free from misstatements. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

As part of the assurance a multi-disciplinary team of sustainability and assurance specialists performed remote assessment of JKH's Corporate Office, and sample operations in Sri Lanka and the Maldives. We undertook the following activities:

- Review of JKH's approach to stakeholder engagement and materiality determination process and the outcome as presented in this Report. We did not have any direct engagement with external stakeholders.
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives.
- Site assessment of sample operations of the Group:(i) JKH office, Vauxhall Street, (ii) Cinnamon Bentota Beach – Bentota and Ellaidhoo Maldives by Cinnamon (iii) Infomate Private Limited – Colombo (iv) Keells Super, Keells Super Outlet –Nalluruwa and discussion with management team of JayKay Marketing Services Limited at Head office, Colombo - to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting assessments.
- Review of supporting evidence for key claims and data presented in the Report.
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics and, for a sample, checking the data consolidation in context to the Principle of Completeness as per DNV's VeriSustain.
- An independent assessment of JKH's reporting against the reporting requirements for the GRI Standards: Core option of reporting.

Opinion

On the basis of our work undertaken, nothing has come to our attention to suggest that the Report does not properly describe JKH's adherence to the Reporting Principles of the GRI Standards and other guidelines including the requirements of the Core option of reporting (GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016) and disclosures related to the following GRI Standards which have been chosen by JKH to bring out its sustainability/ non-financial performance against its identified material topics:

- GRI 201: Economic Performance 2016 – 201-1, 201-3;
- GRI 203: Indirect Economic Impacts 2016 – 203-1;
- GRI 204; Procurement Practices 2016 – 204-1;

1 The VeriSustain protocol is available on request from www.dnv.com
* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

- GRI 205: Anti-corruption 2016 – 205-1;
- GRI 207: Tax 2019 – 207-1, 207-2, 207-3, 207-4;
- GRI 302: Energy 2016 – 302-1, 302-4;
- GRI 303: Water and Effluents 2018 – 303-1, 303-2, 303-3, 303-4;
- GRI 304: Biodiversity 2016 - 304-1;
- GRI 305: Emissions 2016 – 305-1, 305-2;
- GRI 306: Effluents and Waste 2016 – 306-3;
- GRI 306: Waste 2020 – 306-1, 306-2, 306-3;
- GRI 307: Environmental Compliance 2016 – 307-1;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1;
- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2018 – 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9;
- GRI 404: Training and Education 2016 – 404-1, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 407: Freedom of association and collective bargaining 2016 – 407-1
- GRI 408: Child Labor 2016 – 408-1;
- GRI 409: Forced or Compulsory Labor 2016 – 409-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1;
- GRI 416: Customer Health and Safety 2016 - 416-1;
- GRI 417: Marketing and Labeling 2016 – 417-1, 417-3;
- GRI 419: Socioeconomic Compliance 2016 – 419-1.

Observations

Without affecting our assurance opinion, we also provide the following observations evaluating the Report's adherence to the AA1000 Accountability Principles Standard (2018):

Inclusivity

People should have a say in the decisions that impact them.

The Report articulates that the process and outcome of stakeholder engagement, considering the pandemic situation by the Group and its business sectors; further the Report also brings out the engagement frequencies and stakeholder expectations to be addressed on a regular basis by JKH to develop sustainability action plans based the inputs of these engagements.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity

Materiality

Decision makers should identify and be clear about the sustainability topics that matter.

The Report brings out the application of the Materiality principle of GRI Standards to arrive at significant material topics considering its nature of business, importance to internal and external stakeholders. The Group considers materiality assessment as a key process in its sustainability journey to define key ESG issues that are of significance and vital to drive performance, improve its sustainability framework and institutionalise the Group's corporate governance philosophy at all levels.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organisation responds to stakeholder issues.

Report discloses that the Group uses both its Annual Report and corporate website as the primary means of responding to stakeholder concerns, and outlines its sustainability strategy, including materiality assessments, management policies and processes, and includes Environment, Social and Governance (ESG) disclosures/ indicators considering the core option of reporting based on GRI Standards and other frameworks to which JKH subscribes.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Impact

Organisations should monitor, measure, and be accountable for how their actions affect their broader ecosystems.

The Report brings out the key metrics and management processes established for monitoring, measurement, and evaluation of key non-financial impacts of business on internal and external stakeholders of Group and business sectors including its value chain.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact.

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and the process for gathering information developed by JKH for its sustainability performance reporting to be appropriate, and both qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention that the information provided to us was inconsistent, inaccurate and unreliable, or that the Report is not a faithful description of JKH's reported sustainability activities for the reporting period.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

JKH uses a data management software to capture and analyse data related to its sustainability performance for its material topics from all operational sites on a quarterly

2 The DNV Code of Conduct is available on request from www.dnv.com

basis and performs regular internal audits. The majority of data and information verified (remote assessment considering pandemic situation) based on DNV sampling plan for sampled sites and aggregated at corporate level, were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been identified, communicated and corrected.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

Additional principles as per DNV VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?

The Report brings out the key disclosure requirements of GRI Standards and the chosen disclosures of other frameworks to which JKH subscribes in terms of identified scope, boundary and time; further the Report brings out exclusions as per GRI Standard, where applicable without impacting the completeness of Report.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

The disclosures within the Report, related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation along with key concerns and challenges faced during the period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

Statement of Competence and Independence

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements including the AA1000AS v3 Code of Practice. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement and Management Report. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV did not provide any services to JKH and its subsidiaries in the scope of assurance during 2020-21 that could compromise the independence or impartiality of our work.

For DNV GL Business Assurance Lanka Private Limited, Sri Lanka,

Vadakepatth, Nandkumar — Digitally signed by Vadakepatth, Nandkumar Date: 2021.05.15 17:42:22 +05'30'	Wickramasinghe, Rohitha — Digitally signed by Wickramasinghe, Rohitha Date: 2021.05.15 18:24:48 +05'30'	Lankalapalli, Bhargav — Digitally signed by Lankalapalli, Bhargav Date: 2021.05.15 19:49:22 +05'30'
Vadakepatth Nandkumar Lead Verifier DNV Business Assurance-India	**Rohitha Wickramasinghe** Operations Manager DNV GL Business Assurance Lanka Private Limited, Sri Lanka	**Bhargav Lankalapalli** Assurance Reviewer DNV Business Assurance-India

15th May 2021, Colombo, Sri Lanka.

AA1000
Licensed Report
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DNV GL Business Assurance Lanka (Private) Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

GROUP DIRECTORY

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
TRANSPORTATION	Ports and Shipping	Mackinnons Mackenzie & Co (Shipping) Ltd	Shipping Agency representation & logistics services	1973 (PB 359)	4, Layden Bastian Road, Colombo 1 T. 2475423	K.D.Weerasinghe,K C Subasinghe, A.Z.Hashim	LKR 5,000,000 100%
TRANSPORTATION	Ports and Shipping	Maersk Lanka (Pvt) Ltd**	Shipping Agency representation & freight forwarding services	1992 (PV 2550)	Level 16, "Park Land" 33, Park Street, Colmbo 2 T. 0114794800	W.T.Ellawala, R.M.David, F.Dedenis, S.Bandara, Z.Muktha	LKR 10,000,000 30%
TRANSPORTATION	Ports and Shipping	South Asia Gateway Terminals (Pvt) Ltd**	Ports & Shipping Services	1998 (PV 326)	Port of Colombo, P.O Box 141 Colombo 1 T. 24575509	K.N.J.Balendra-Chairman, J.G.A.Cooray, K.D.Weerasinghe, N.W.Tambiah, K.C.Subasinghe, A.Z.Hashim, D.P.Gamlath, Yen-I Chang, S S Jakobsen, J.M.Bevis, M.Degryse, T.J.Smith, R.M.D.Ratnayake, D.P.M.T.Jayamanna	LKR 3,788,485,900 42.19%
TRANSPORTATION	Logistics	DHL Keells (Pvt) Ltd**	International express courier services	1986 PV 1307	No. 148, Vauxhall Street, Colombo 2 T. 2304304 / 4798600	K.N.J.Balendra-Chairma A.Z. Hashim, S.P.Wall, N.N.B.Abdullah	LKR 20,000,020 50%
TRANSPORTATION	Logistics	John Keells Logistics (Pvt) Ltd	Integrated supply chain management	2006 PV318	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475574	K.D.Weerasinghe, A.Z.Hashim	LKR. 200,000,000 100%
TRANSPORTATION	Logistics	Logipark International (Pvt) Ltd	Integrated Supply Chain Management	2018 (PV 201610)	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. T. 2475574	A.Wanniarachchi K.C.Subasinghe , A.Z.Hashim	LKR. 1,058,750,000 81.36%
TRANSPORTATION	Logistics	Mack International Freight (Pvt) Ltd	International freight forwarding and clearing & forwarding	1980 (PV 831)	No. 11, York Street, Colombo 1. T. 7671671	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	LKR.130,000,000 100%
TRANSPORTATION	Logistics	Lanka Marine Services (Pvt) Ltd	Importer & supplier of heavy marine fuel oils	1993 (PV 475)	4, Leyden Bastian Road, Colombo 1. T. 2475410-421	A.Z.Hashim, K.D.Weerasinghe, D.P.Gamlath	LKR. 350,000,000 99.44%
TRANSPORTATION	Logistics	Mackinnon Mackenzie & Co of Ceylon Ltd*	Foreign recruitment agents & consultants	1975 (PB 348)	No. 11, York Street, Colombo 1. T. 2475509	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	LKR. 90,000 100%
TRANSPORTATION	Logistics	Saffron Aviation (Pvt) Ltd	Domestic air line operations	2012 (PV 84728)	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475502	J.G.A.Cooray-Chairman, K.D.Weerasinghe, A.Z.Hashim, B.A.B.Goonetilleke, K.Balasundaram, H.D.Abeywickrema	LKR. 622,179,000 40%
TRANSPORTATION	Logistics	Trans-ware Logistics (Pvt) Ltd*	Renting of storage space	1994 (PV 3134)	No. 11, York Street, Colombo 1. T. 2475545/539	K.C.Subasinghe, A.Z.Hashim, N.N.Mawilmada, K.D.Weerasinghe	LKR. 220,000,080 100%
TRANSPORTATION	Air Lines	Mack Air (Pvt) Ltd	General sales agents for airlines in Sri Lanka	1980 (PV 868)	No. 11, York Street, Colombo 1 T. 2475375/2475335	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	LKR. 12,500,000 100%
TRANSPORTATION	Air Lines	Mackinnons Travels (Pvt) Ltd	IATA accredited travel agent and travel related services	1971 (PV 1261)	No. 186, Vauxhall Street, Colombo 2 T. 2318600	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	LKR. 5,000,000 100%
TRANSPORTATION	Air Lines	Mack Air Services Maldives (Pte) Ltd*	General sales agents for airlines in the Maldives	2000 (C/I 35-2000)	4th Floor, STO Aifaanu Building, Boduthakurufaanu Magu, Male 20-05, Republic of Maldives T. +9603334708 - 09	K.C.Subasinghe, A.Z.Hashim, S.Hameed, A.Shihab	LKR. 677,892 49%
CONSUMER FOODS		Ceylon Cold Stores PLC	Manufacture & Marketing of Beverages and frozen confectionery and the holding company of JayKay Marketing	1926 (PQ 4)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2318798	K.N.J.Balendra- Chairman, J.G.A.Cooray, D.P.Gamlath, M.Hamza, S.T.Ratwatte, R.S.W.Wijeratnam, P.N.Fernando, K.C.Subasinghe	LKR 918,200,000 81.36%
CONSUMER FOODS		The Colombo Ice Company (Pvt) Ltd	Manufacturing and Marketing of frozen confectionery	2016 (PV 113758)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02. T. 2306000	P.N.Fernando, D.P.Gamlath	LKR.1,700,000,000 81.36%

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
CONSUMER FOODS		John Keells Foods India (Pvt) Ltd*	Marketing of Branded meat and convenience food products	2008 (U15122MH 2008 FTC 180902)	Luthra and Luthra Chartered Accountants A 16/9, Vasant Vihar, New Delhi -110057, India T. 0091 1142591823, 0091 1126148048, 26151853, 2614736 Fax: +91-11-2614 5222	P.N.Fernando, D.P.Gamlath	LKR.220,294,544 (INR 90,000,000) 88.63%
CONSUMER FOODS		Keells Food Products PLC	Manufacturer and distributor of Processed meat, breaded meat & convenience food products.	1982 (PQ 3)	P.O Box 10,No.16, Minuwangoda Road, Ekala Ja-Ela T. 2236317/ 2236364	K.N.J.Balendra-Chairman, J.G.A.Cooray, D.P.Gamlath, S.De Silva, A.E.H.Sanderatne, I.Samarajiva, P.D.Samarasinghe , P.N.Fernando	LKR.1,294,815,000 88.63%
RETAIL		JayKay Marketing Services (Pvt) Ltd	Owns and Operates the "Keells" chain of supermarkets and "Nexus Mobile" loyalty card programme.	1980 (PV 33)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2316800	J.G.A.Cooray- Chairman, A.Wanniarachchi, K.C.Subasinghe , N.W.Tambiah	LKR.1,198,000,000 81.36%
RETAIL		John Keells Office Automation (Pvt) Ltd	Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices	1992 (PV 127)	Corporate Office: 90 Union Place, Colombo 2 Technical Services:148, Vauxhall Street, Colombo 2 T. 2313000, 2431576, 2445760	N.W.Tambiah, K.C.Subasinghe, D.P.Gamlath	LKR. 5,000,000 100%
LEISURE	Hotel Management	Cinnamon Hotel Management Ltd	Operator & marketer of resort hotels	1974 (PB 7)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600, 2421101-8	J.E.P.Kehelpannala, M.H.Singhawansa, M.R.Svensson, K.C.Subasinghe	LKR. 19,520,000 100%
LEISURE	Hotel Management	Cinnamon Hotel Management International (Pvt) Ltd*	Operator & marketer of overseas hotels & resorts	2018 (PV 131788)	No.117 Chittampalam A Gardiner Mawatha, Colombo 02	J.E.P.Kehelpannala, M.H.Singhawansa, M.R.Svensson, K.C.Subasinghe	LKR. 500,000 100%
LEISURE	Hotel Management	John Keells Hotels PLC*	Holding company of group resort hotel companies in Sri Lanka & Maldives	1979 (PQ 8)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600	K.N.J.Balendra– Chairman, J.G.A.Cooray, S.Rajendra, M.R.Svensson, J.E.P.Kehelpannala, M.H.Singhawansa, T.L.F.W Jayasekera, A.K.Moonesinghe, Dr.K.Gunasekera	LKR.9,500,246,939 80.32%
LEISURE	Hotel Management	Sentinel Realty (Pvt) Ltd**	Investment company for Hotel Development land	2011 (PV 80706)	No.117, Chittampalam A Gardiner Mawatha,Colombo 02 T. 2306600	B.A.B.Goonetilleke-Chairman, C.L.P.Gunewardane, N.N.Mawilmada, K.Balasundaram	LKR. 132,288,080 40.16%
LEISURE	City Hotels	Asian Hotels and Properties PLC - Cinnamon Grand.	Owner & operator of the five star city hotel "Cinnamon Grand"	1993 (PQ 2)	77, Galle Road, Colombo 3 T. 2437437 /2497206	K.N.J.Balendra - Chairman/ - Managing Director, J.G.A.Cooray, C.L.P.Gunawardane, S.Rajendra, M.R.Svensson, C.J.L.Pinto, J.Durairatnam, A.S De Zoysa	LKR.3,345,118,012 78.56%
LEISURE	City Hotels	Capitol Hotel Holdings Ltd**	Developer of City Business Hotels	2012 (PB 5013)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	M.R.Svensson , K.C.Subasinghe, M.S.Weerasekera-Chairman, W.R.K.Wannigama, D.A.Kannangara, M.D.R.Gunatilleke, L.C.H.Leow, A.J.Pathmarajah	LKR. 1,168,800,100 19.47%
LEISURE	City Hotels	Trans Asia Hotels PLC	Owner & operator of the five star city hotel "Cinnamon Lakeside".	1981 (PQ 5)	No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2491000	K.N.J.Balendra-Chairman, J.G.A.Cooray, S.Rajendra, C.L.P.Gunawardane, M.R.Svensson, N.L.Goonaratne, C.J.L.Pinto, E.H.Wijenaike, J.C.Ponniah	LKR.1,112,879,750 82.74%

GROUP DIRECTORY

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
LEISURE	Resort Hotels - Sri Lanka	Ahungalla Holiday Resorts (Pvt) Ltd*	Owner of real estate	2012 (PV 85046)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR. 133,490,000 80.32%
LEISURE	Resort Hotels - Sri Lanka	Beruwala Holiday Resorts (Pvt) Ltd	Owner & operator of "Cinnamon Bey" in Beruwala	2009 (PV 69678)	Moragolla Beruwala T. 2306600, 034 2297000	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR. 2,338,150,000 79.78%
LEISURE	Resort Hotels - Sri Lanka	Ceylon Holiday Resorts Ltd -Bentota Beach Hotel	Owner & operator of "Cinnamon Bentota Beach" in Bentota	1966 (PB 40)	Galle Road, Bentota T. 034 2275176 / 034 2275266	S.Rajendra, C.L.P.Gunawardane, M.H.Singhawansa, M.R.Svensson	LKR.2,845,469,318 79.60%
LEISURE	Resort Hotels - Sri Lanka	Habarana Lodge Ltd	Owner & operator of "Cinnamon Lodge" in Habarana	1978 (PB 38)	P.O Box 2, Habarana T. 066 2270011-2/ 066 2270072	S.Rajendra, C.L.P.Gunawardane, M.H.Singhawansa, M.R.Svensson	LKR.341,555,262 78.99%
LEISURE	Resort Hotels - Sri Lanka	Habarana Walk Inn Ltd	Owner & operator of "Habarana Village by Cinnamon" in Habarana	1973 (PB 33)	P.O Box 1, Habarana T. 066 2270046-7/ 066 2270077	C.L.P Gunawardane, K C.Subasinghe, M H Singhawansa, M R Svensson	LKR. 126,350,000 79.34%
LEISURE	Resort Hotels - Sri Lanka	Hikkaduwa Holiday Resorts (Pvt) Ltd	Owner & operator of "Hikka Tranz by Cinnamon" in Hikkaduwa	2010 (PV 71747)	P.O Box 1, Galle Road , Hikkaduwa T. 091 2298000	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR.1,062,635,460 79.60%
LEISURE	Resort Hotels - Sri Lanka	Indra Hotel and Resorts (Pvt) Ltd*	Owner of Cinnamon Red Kandy	2017 (PV 124247)	No. 273, Katugastota Road, Kandy T. 081 2234346	Y.S.H.I.K.Silva, Y.S.H.R.S.Silva, Y.S.H.H.K.Silva, S.Rajendra , C.L.P Gunawardane	LKR.1,051,400,493 32.13%
LEISURE	Resort Hotels - Sri Lanka	International Tourists and Hoteliers Ltd*	Owner of Cinnamon Bey	1973 (PB 17)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600, 2421101- 8	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR. 1,939,760,925 79.78%
LEISURE	Resort Hotels - Sri Lanka	Kandy Walk Inn Ltd	Owner & operator of "Cinnamon Citadel" in Kandy	1979 (PB 395)	No.124, Srimath Kuda Ratwatte Mawatha, Kandy T. 081 2234365-6/ 081 2237273-4	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR. 115,182,009 79.03%
LEISURE	Resort Hotels - Sri Lanka	Nuwara Eliya Holiday Resorts (Pvt) Ltd*	owner of real estate	2014 (PV98357)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa, M.R.Svensson	LKR.325,024,820 80.32%
LEISURE	Resort Hotels - Sri Lanka	Rajawella Hotels Company Ltd*	Owner of real estate	1992 (PB 92)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	C.L.P.Gunawardane, K.C.Subasinghe, M.H Singhawansa, M.R.Svensson	LKR.35,701,762 80.32%
LEISURE	Resort Hotels - Sri Lanka	Resort Hotels Ltd*	Owner of real estate	1978 (PB 193)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306780, 2421101-8	C.L.P.Gunawardane, K.C.Subasinghe, M.H Singhawansa , M.R.Svensson	LKR.8,849,150 79.60%
LEISURE	Resort Hotels - Sri Lanka	Trinco Holiday Resorts (Pvt) Ltd	Owner & Operator of "Trinco Blu by Cinnamon" in Trincomalee	2009 (PV 69908)	Alles Garden, Uppuvelli, Sampathiv Post T. 026 2222307 / 026 2221611	C.L.P.Gunawardane, K.C.Subasinghe, M.H Singhawansa, M.R.Svensson	LKR.357,000,000 80.32%
LEISURE	Resort Hotels - Sri Lanka	Trinco Walk Inn Ltd*	Owner of Real Estate	1984 (PB 168)	Alles Garden, Uppuveli, Sampathiv Post, Trincomalee T. 026 2222307 / 011 2306600	C.L.P.Gunawardane, K.C.Subasinghe, M.H Singhawansa, M.R.Svensson	LKR.119,850,070 80.32%
LEISURE	Resort Hotels - Sri Lanka	Wirawila Walk Inn Ltd*	Owner of Real Estate	1994 (PB 89)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306780, 2421101-8	C.L.P.Gunawardane, K.C.Subasinghe, M.H.Singhawansa	LKR.20,734,150 80.32%
LEISURE	Resort Hotels - Sri Lanka	Yala Village (Pvt) Ltd	Owner & operator of "Cinnamon Wild" in Yala	1999 (PV 2868)	P.O Box 1, Kirinda, Tissamaharama T. 047 2239449-52	M.A.Perera -Chairman, C.L.P.Gunawardane, S.Rajendra, M.H.Singhawansa, J.A.Davis, M.R.Svensson, N.W.Tambiah	LKR.319,427,600 75.33%

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
LEISURE	Resort Hotels - Maldives	Fantasea World Investments (Pte) Ltd	Owner & operator of "Cinnamon Hakuraa Huraa" in Maldives	1997 (C 143/97)	2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives T. 00960 6720014 / 00960 6720064 / 00960 6720065	C.L.P.Gunawardane, S.Rajendra, J.E.P.Kehelpannala-Managing Director, M.H.Singhawansa, M.R.Svensson	LKR. 341,573,190 80.32%
LEISURE	Resort Hotels - Maldives	John Keells Maldivian Resorts (Pte) Ltd	Hotel holding company in the Maldives	1996 (C 208/96)	2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives T. 00960 3329083 / 00960 3304601 / 00960 3313738	J.E.P.Kehelpannala-Managing Director, S.Rajendra, C.L.P.Gunawardane, M.H.Singhawansa, M.R.Svensson	LKR.3,978,671,681 80.32%
LEISURE	Resort Hotels - Maldives	Tranquility (Pte) Ltd	Owner and operator of "Cinnamon Dhoinveli" in Maldives	2004 (C 344/2004)	2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives T. 009606640055 / 009606640012	C.L.P.Gunawardane, S.Rajendra, J.E.P.Kehelpannala-Managing Director, M.H.Singhawansa , M.R.Svensson	LKR.552,519,608 80.32%
LEISURE	Resort Hotels - Maldives	Travel Club (Pte) Ltd	Operator of "Cinnamon Ellaidhoo" in Maldives	1992 (C 121/92)	2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives T. 00960 6660839 / 00960 6660663 / 00960 6660664	C.L.P.Gunawardane, S.Rajendra & J.E.P.Kehelpannala-Managing Director, M.H.Singhawansa, M.R.Svensson	LKR. 143,172,000 80.32%
LEISURE	Destination Management	Cinnamon Holidays (Pvt) Ltd	Service providers of Inbound and Outbound Tours	2015 (PV 101005)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	C.L.P.Gunawardane, K.C.Subasinghe, M.H Singhawansa, M.R.Svensson	LKR.200,000 80.32%
LEISURE	Destination Management	Serene Holidays (Pvt) Ltd	Tour operators	2006 (U63040MH 2006PTC 164985)	110, Bldg 2, Rolex Shopping Centre Premises, CHS Ltd, STN Road, NR Prashant Hotel, Goregoan (W), Mumbai, Mumbai City, Maharashtra, 400062 T. 091-22 42105210 99	K.C.Subasinghe, K.O.Agrawal	LKR.6,492,000 98.35%
LEISURE	Destination Management	Walkers Tours Ltd	Inbound tour operators	1969 (PB 249)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02. T. 2306306	S.Rajendra, C.L.P.Gunawardane, I.N.Amaratunga	LKR. 51,374,200 98.51%
LEISURE	Destination Management	Whittall Boustead (Travel) Ltd	Inbound tour operators	1977 (PB 112)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02. T. 2306746	S.Rajendra , C.L.P.Gunawardane, I.N.Amaratunga	LKR. 250,410,000 100%
PROPERTY	Property Development	Asian Hotels and Properties PLC - Crescat. Boulevard, The Monarch, The Emperor.	Developer of 'Crescat Residencies', 'The Monarch' & 'The Emperor' Residential Towers Developer and manager of 'Crescat Boulevard ' shopping Mall	1993 (PQ 2)	No.89, Galle Road, Colombo 3 T. 0112152100	K.N.J.Balendra-(Chairman/Managing Director), J.G.A.Cooray, C.L.P.Gunawardane, S.Rajendra, M.R.Svensson, C.J.L.Pinto, J.Durairatnam, A.S De Zoysa	LKR. 3,345,118,012 78.56%
PROPERTY	Property Development	British Overseas (Pvt) Ltd	Developer of "7th Sense" Residential Tower	2011 (PV 80203)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada, S.P.G.N.Rajapakse, D.P.Gamlath	LKR.1,000 61%
PROPERTY	Property Development	Braybrooke Residential Properties (Pvt) Ltd*	Investor of Braybrooke Residential Towers (Pvt) Ltd	1998 (PV19165)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	Y.S.H.R.S.Silva-Chairman, S.Rajendra, K.C.Subasinghe, N.N.Mawilmada, D.P.Gamlath, Y.S.H.I.K.Silva, Y.S.H.H.K Silva, C.P.Palansuriya	LKR.1,403,970,000 50%
PROPERTY	Property Development	Braybrooke Residential Towers (Pvt) Ltd*	Developer of 'TRI-ZEN' Residential Towers	2017 (PV128387)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	K.N.J.Balendra, Y.S.H.R.S.Silva-Chairman, J.G.A.Cooray, S.Rajendra, N.N.Mawilmada, Y.S.H.I.K.Silva, A.D.B.Talwatte, C.P.Palansuriya	LKR. 3,636,900,000 50%

GROUP DIRECTORY

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
PROPERTY	Property Development	Glennie Properties (Pvt) Ltd*	Property Development	2012 (PV 84278)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	K.C.Subasinghe, N.N.Mawilmada, D.P.Gamlath, N.W.R.Wijewantha	LKR 163,861,400 100%
		J K Land (Pvt) Ltd*	Investment Company for Property Sector	2012 (PV 84272)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada	LKR. 23,027,602,460 100%
		J K Thudella Properties (Pvt) Ltd*	Owner of Real Estates	2018 (PV 129825)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, N.N.Mawilmada,	LKR. 453,467,620 100%
		John Keells Properties Ja-Ela (Pvt) Ltd	Developer & Manager of ' K-Zone Ja-Ela' Shopping Mall	2010 (PV 76068)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada	LKR.954,360,000 100%
		John Keells Residential Properties (Pvt) Ltd	Developer of "On320" Residential Towers	2010 (PV 75050)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada	LKR. 925,200,000 100%
		J K Property Development (Pvt) Ltd *	Property Development	2018 (PV 130036)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada	LKR. 1,054,056,800 100%
		Keells Realtors Ltd*	Owner of Real Estates	1977 (PB 90)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada,	LKR.75,000,000 95.81%
		Mackinnons Keells Ltd*	Rental of office spaces	1952 (PB 8)	No. 4, Layden Bastian Road, Colombo 1 T. 2152100	K.M.Thanthirige, N.W.R Wijewantha, N.N.Mawilmada	LKR.327,800,000 100%
		Rajawella Holdings Ltd	Operates an 18 hole, Donald Street Designed Golf Course in Digana	1991 (PB27)	P O Box 7, Rajawella, Kandy T. 0112152100	K.N.J.Balendra-Chairman, J.G.A.Cooray, S.Rajendra, N.N.Mawilmada, C.B.Thornton (Alt. C.J.Holloway), G.R.Bostock Kirk (Alt. E.C.Oxlade), S.E.Captain (R.S.Captain)	LKR 784,690,140 49.85%
		Vauxhall Land Developments (Pvt) Ltd*	Owner of Real Estates	2017 (PV125587)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	K.N.J.Balendra-Chairman, J.G.A.Cooray, N.N.Mawilmada, G.R.Chambers, N.W.R.Wijewantha	LKR. 21,716,553,910 100.00%
		Waterfront Properties (Pvt) Ltd	Developer of Hotels, Apartments, offices & Shoping Malls	2011 (PV 82153)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	K N J Balendra - Chairman, J G A Cooray, S Rajendra , N N Mawilmada	LKR 57,849,198,450 97.96%
		Whittall Boustead (Pvt) Ltd - Real Estate Division*	Renting of office space	1958 (PV 31)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	N.W.R.Wijewantha, K.C.Subasinghe, N.N.Mawilmada,	LKR.99,188,800 100%
FINANCIAL SERVICES		Fairfirst Insurance Ltd**	Providers of Non Life insurance solutions	2014 (PB 5180)	Access Towers II, 14th Floor, No: 278/4, Union Place, Colombo 02 T. 0112 428 428	R.Athappan-Chairman, C.Ratnaswami, A.S.Wijesinha, C.D.Wijegunawardene, S.Malhotra, S.Jha, J.P.Gomes	LKR.3,131,949,000 19.80%
		John Keells Stock Brokers (Pvt) Ltd	Share broking services	1979 (PV 89)	No. 186, Vauxhall Street, Colombo 02 T. +94(0)11230 6250, +94(0)11234 2066 -7	S.Rajendra, D.P.Gamlath, R.S.Cader	LKR. 57,750,000 90.04%
		Nations Trust Bank PLC**	Commercial banking and leasing operations	1999 (PQ 118)	No. 242, Union Place, Colombo 2 T.114313131	J.G.A.Cooray-Chairman, K.O.V.S.M.S.Wijesinghe, R.S.Cader, J.C.A.D'Souza, R.D Rajapaksa, N.I.R.De Mel, S.Maheshwari, S.L.Sebastian, C.H.A.W.Wickramasuriya, A.R.Fernando, P.Talwatte	LKR.9,408,135,000 32.57%
		Union Assurance PLC	Providers of Life insurance solutions	1987 (PQ 12)	No.20, St. Michaels' Road, Colombo 03 T. #1330	K.N.J.Balendra -Chairman, S.Rajendra, D.P.Gamlath, D.H.Fernando, S.A.Appleyard, W.M De Fonseka Arsakularatne	LKR.1,000,000,000 90%

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
OTHERS	IT Services	John Keells Information Technology (Pvt) Ltd	Software services	1998 (PV 652)	No. 148, Vauxhall Street, Colombo 02. T. 2300770-77	J.G.A.Cooray -Chairman, K.D.Weerasinghe, R.Shanmuganathan	LKR. 96,500,000 100%
OTHERS	IT Enabled Services	InfoMate (Pvt) Ltd	IT enabled services	2005 (PV 921)	No.4, Leyden Bastian Road, Colombo 1 T. (94) 112149700	K.D.Weerasinghe, R.Shanmuganathan	LKR.20,000,000 100%
OTHERS	IT Enabled Services	John Keells BPO Holdings (Pvt) Ltd*	Holding company of BPO group companies	2006 (C 60882)	IFS Court, 28, Cybercity, Ebene, Mauritius T. (230) 467 3000	Z.H.Niamut, K.Peerbocus, K.D.Weerasinghe, K.C.Subasinghe	LKR.1,988,300,000 100%
OTHERS	IT Enabled Services	John Keells BPO International (Pvt) Ltd*	Investment holding company	2007 (C 070137)	IFS Court, 28, Cybercity, Ebene, Mauritius T. (230) 467 3000	Z.H.Niamut, K.Peerbocus, K.D.Weerasinghe, K.C.Subasinghe	LKR.1,616,700,008 100%
OTHERS	IT Enabled Services	John Keells BPO Solutions Lanka (Pvt) Ltd*	BPO operations in Sri Lanka	2006 (PV 3458)	No.4, Leyden Bastian Road, Colombo 01 T. (94) 2300770-77	K.D.Weerasinghe, K.C.Subasinghe, R.Shanmuganathan	LKR.335,797,260 100%
OTHERS	Plantation Services	John Keells PLC	Produce Broking and Real Estate Ownership	1960 (PQ 11)	No 186, Vauxhall Street, Colombo 02 T. 2306000	K.N.J.Balendra-Chairman, J.G.A.Cooray, K.D.Weerasinghe, A.K.Gunawardhana, C.N.Wijewardene, B.A.I.Rajakarier, A.Z.Hashim	LKR.152,000,000 86.90%
OTHERS	Plantation Services	John Keells (Teas) Ltd	Manager eight bought leaf tea factories	1979 (PV 522)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306518	K.D.Weerasinghe, K.C.Subasinghe, A.Z Hashim	LKR. 120,000 100%
OTHERS	Plantation Services	John Keells Warehousing (Pvt) Ltd	Warehousing of Tea and Rubber	2001 (PV 638)	No.93,1st Avenue, Muturajawela, Hendala, Wattala T. 4819560	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	LKR.120,000,000 86.90%
OTHERS	Plantation Services	Tea Smallholder Factories PLC	Owner and operator of Bought Leaf factories	1991 (PQ 32)	No.4, Leyden Bastian Road, Colombo 1 T. 2149994 / 2335880	K.N.J.Balendra–Chairman, J.G.A.Cooray, E.H.Wijenaike, A.S.Jayatilleke, S.K.L.Obeyesekere, A.K.Gunaratne, A.Goonetilleke, A.Z.Hashim	LKR.150,000,000 37.62%
OTHERS	Centre & Others	Facets (Pvt) Ltd*	Owner of real estate	1974 (PV1048)	No.117,Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	K.M.Thanthirige, D.P.Gamlath	LKR.150,000 100%
OTHERS	Centre & Others	J K Packaging (Pvt) Ltd*	Printing and packaging services provider for the export market	1979 (PV 1265)	No 148, Vauxhall street, Colombo 02 T. 2475308	K.C.Subasinghe, K.D.Weerasinghe, D.P.Gamlath	LKR.14,500,000 100%
OTHERS	Centre & Others	John Keells Holdings PLC	Group holding company & function based services	1979 (PQ 14)	No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	K.N.J.Balendra-Chairman, J.G.A.Cooray-Deputy Chairman, M.A.Omar, D.A.Cabraal, A.N.Fonseka, M.P Perera, S.S.H.Wijayasuriya	LKR.62,881,295,320 98.05%
OTHERS	Centre & Others	John Keells International (Pvt) Ltd*	Regional holding company providing administrative & function based services	2006 (PV 46)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000 /2421101-9	D.P.Gamlath, K,M. Thanthirige, N.W.Tambiah	LKR. 1,991,600,000 100%
OTHERS	Centre & Others	John Keells Singapore (Pte) Ltd*	International trading services	1992 (199200499C)	No.16 Collyer Quay, Level 21, Office Suit No.21-38, Singapore 049318 T. 65 63296409/ 65 68189150/ 65 96346593	J.G.A.Cooray-Chairman, K.M .Thanthirige, K.C.Subasinghe, D.P.Gamlath, R.Ponnampalam	LKR.9,638,000 80%
OTHERS	Centre & Others	Keells Consultants (Pvt) Ltd	Company secretarial services to the group	1974 (PB 3)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2421101-9	K.M.Thanthirige, N.W.Tambiah, I.V.Gunasekera, C.Subasinghe	LKR.160,000 100%
OTHERS	Centre & Others	Mortlake (Pvt) Ltd*	Investment company	1962 (PV 756)	No. 148, Vauxhall Street, Colombo 2 T. 2475308	K.M.Thanthirige, K.C.Subasinghe	LKR. 3,000 100%

* The company is a non-operational company/ investment company/ holding company or owner of real estate.

** The company has not been considered for sustainability reporting as the Group does not exercise management control over the entity.

GRI - DISCLOSURE 207-4

COUNTRY-BY-COUNTRY REPORTING

Description LKR 000	Reference	Page No	Sri Lanka	India	Mauritius	Republic of Maldives	Singapore	Total
a) All tax jurisictions included in Consolidated Financial Statements	Note 21.10	242						
b)								
i. Names of the resident entities	Group Directory	296-301						
ii. Primary activities of the organization	Group Directory	296-301						
iii. Number of employees			13,226	-	-	604	1	13,831
iv. Revenues from third-party sales			124,969,713	-	-	2,724,202	-	127,693,915
v. Revenues from intra-group transactions with other tax jurisdictions								
vi. Profit/loss before tax			8,809,372	(918)	9,840	(3,385,942)	12,814	5,445,166
vii. Tangible assets other than cash and cash equivalents			287,694,992	-	-	39,742,236	188	327,437,416
viii. Corporate income tax paid on a cash basis	Not Applicable							
ix. Corporate income tax accrued on profit/loss			2,179,135	-	1,647	(12,115)	673	2,169,340
x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax	Note 21.5	240						
c) The time period covered by the information reported in Disclosure 207-4.	Year ended 31st March 2021							

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GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
			Part Omitted	Reason	Explanation
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GRI 102: General Disclosures 2016					
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	102-2 Activities, brands, products, and services	8, 64			
	102-3 Location of headquarters	3			
	102-4 Location of operations	3			
	102-5 Ownership and legal form	3			
	102-6 Markets served	3, 8			
	102-7 Scale of the organisation	3, 47, 52			
	102-8 Information on employees and other workers	52-57			
	102-9 Supply chain	11 of https://keells.com/resource/Management_Approach_Disclosures_2020_21.pdf, 74, 83, 94, 107, 116, 124, 133			
	102-10 Significant changes to the organisation and its supply chain	19-24			
	102-11 Precautionary Principle or approach	3 of Risks, Opportunities and Internal Controls at https://keells.com/resource/governance/John-Keells-Holdings-PLC-AR-2020_21-Risk.pdf			
	102-12 External initiatives	4, 165, 182			
	102-13 Membership of associations	https://keells.com/resource/governance/John-Keells-Holdings-PLC-AR-2020_21-Profiles.pdf			
Strategy					
	102-14 Statement from senior decision-maker	9-18			
Ethics and integrity					
	102-16 Values, principles, standards, and norms of behaviour	165			
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	102-18 Governance structure	167			
Stakeholder engagement					
	102-40 List of stakeholder groups	4-5 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-41 Collective bargaining agreements	57			
	102-42 Identifying and selecting stakeholders	4 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-43 Approach to stakeholder engagement	4-5 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-44 Key topics and concerns raised	6 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			

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GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
			Part Omitted	Reason	Explanation
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	102-46 Defining report content and topic Boundaries	4-5, 6-7 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-47 List of material topics	6-7 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-48 Restatements of information	3-4 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-49 Changes in reporting	3-4 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	102-50 Reporting period	4			
	102-51 Date of most recent report	3 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
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GRI 103 Management Approach 2016	103-1 Explanation of the material topic and its Boundary	6-7 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20AR%202020_21-Sustainability-and-Materiality.pdf			
	103-2 The management approach and its components	4 of https://keells.com/resource/Management_Approach_Disclosures_2020_21.pdf			
	103-3 Evaluation of the management approach	4 of https://keells.com/resource/Management_Approach_Disclosures_2020_21.pdf			
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CORPORATE INFORMATION

Name of Company
John Keells Holdings PLC

Legal Form
Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the Colombo Stock Exchange
GDRs listed on the Luxembourg Stock Exchange

Company Registration No.
PQ 14

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J G A Cooray - Deputy Chairman/Group Finance Director
D A Cabraal
A N Fonseka
M A Omar
M P Perera
S S H Wijayasuriya

Senior Independent Director
A N Fonseka

Audit Committee
A N Fonseka - Chairman
D A Cabraal
M P Perera

Human Resources and Compensation Committee
D A Cabraal - Chairman
M A Omar
S S H Wijayasuriya

Nominations Committee
M A Omar - Chairman
K N J Balendra
M P Perera
S S H Wijayasuriya

Related Party Transaction Review Committee
M P Perera - Chairperson
D A Cabraal
A N Fonseka

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S S H Wijayasuriya - Chairman
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Nations Trust Bank
People's Bank
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