THE STRENGTH OF
FUNDAMENTALS

John Keells Group

John Keells Holdings PLC
Annual Report 2021/22

THE STRENGTH OF FUNDAMENTALS

The John Keells Group has long been ranked as a corporate leader in Sri Lanka. Our business model is thoughtful and comprehensive, involving the continuous assessment of our social, environmental and economic impacts as we strive to deliver value to the many stakeholders we serve.

With a heritage of over 150 years of local and regional operations, we have harnessed the corporate qualities we believe are vital for leadership; strong, dependable partnerships, the determination and talent of our people, deep financial resources and most importantly - an absolute commitment to business integrity and transparency in all that we do.

Today, Sri Lanka is experiencing what may be its greatest challenge yet. Every citizen is under pressure arising from the political, social and economic turmoil the nation is undergoing, as the people call for better governance and accountability. We are saddened and empathise with the people's hardships and echo the sentiments for improvements in the governance of our nation while doing all that we can to help our John Keells family and fellow citizens through these tumultuous times.

Country or corporate, we believe that the foundations of good governance remain the same, including transparency, accountability, ethical conduct and respect for the rule of law while also embracing diversity, inclusivity and social responsibility. This has been the ethos that has driven us in all that we do.

As a responsible corporate citizen, we pledge to play our part and take a proactive role in shaping and driving the nation's economic recovery, to help build a sustainable and better future by embodying the 'strength of fundamentals' to make our country shine again.

John Keells Group

John Keells Holdings PLC

Contents

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

Introduction to the Report

We are pleased to present our seventh 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 (SEC) Act No. 19 of 2021, including directives and circulars
- Code of Best Practice on Corporate Governance (2013) jointly advocated by 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
- Code of Best Practices on Related Party Transactions (2013) advocated by SEC

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 capitals 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.

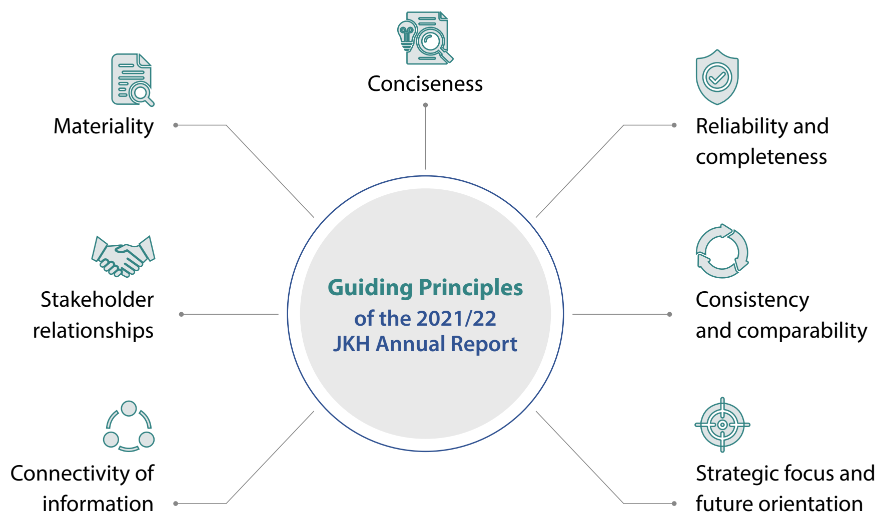
Scope and Boundary

The John Keells Annual Report 2021/22 is a reflection of the Group's integrated approach of management during the period from 1 April 2021 to 31 March 2022. Material events post this reporting period, up to the sign off date by the Board of Directors on 23 May 2022, have been included in this Report, ensuring a more relevant and 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 2021/22. 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.



Introduction to the 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 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.

Whilst 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 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.

Email: investor.relations@keells.com
Tel: +94-112306170

Navigating this Report

This Annual Report is available on our website:

www.keells.com/resource/annual-report/John_Keells_Holdings_PLC_AR_2021_22_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

About Us

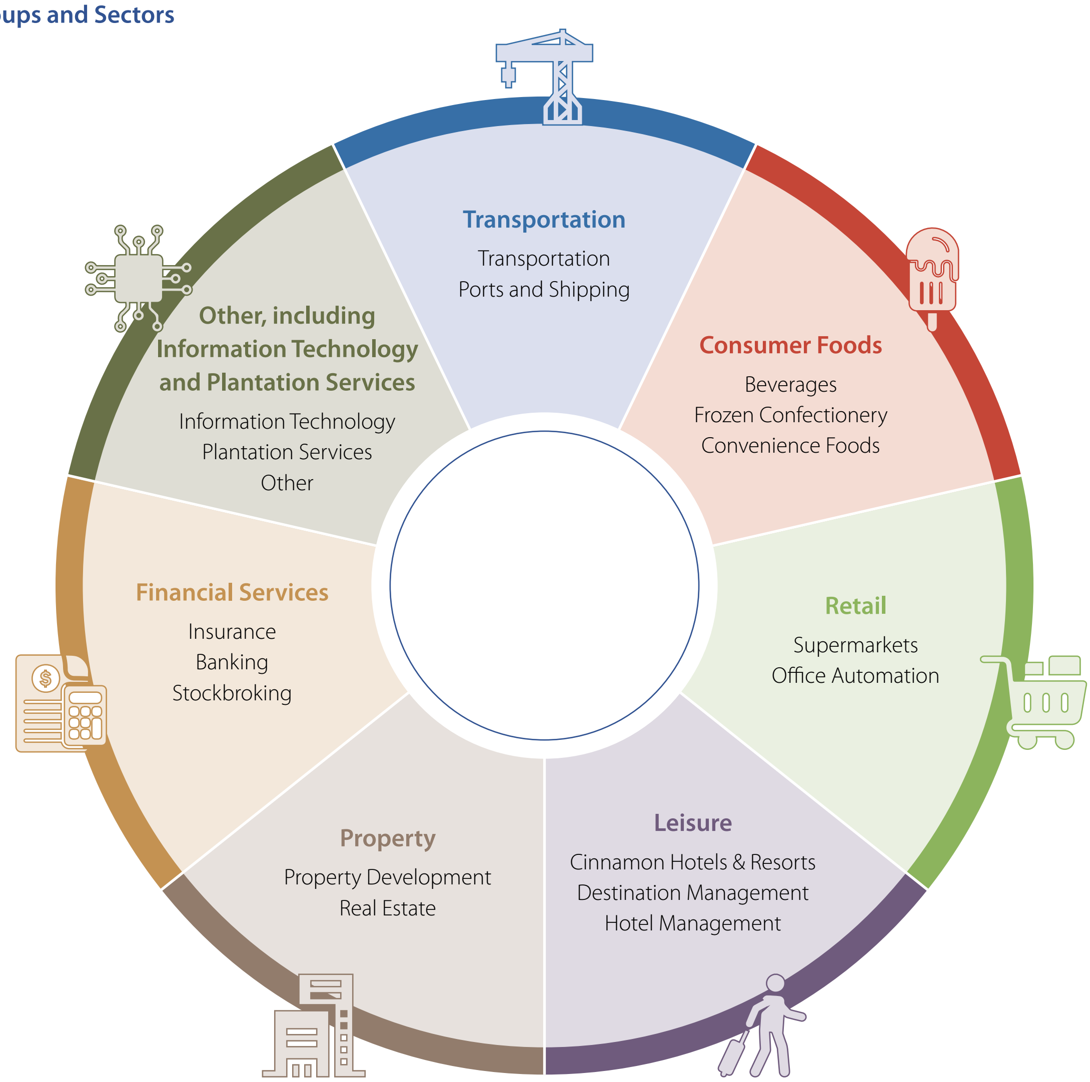
John Keells Holdings PLC (JKH) is one of the largest listed companies on the Colombo Stock Exchange, with business interests primarily in Transportation, Consumer Foods, Retail, Leisure, Property and Financial Services. Started in the early 1870s as a produce and exchange broking business by two Englishmen, 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.

Industry Groups and Sectors



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

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

Inputs

Value Creation Interventions and Returns

Processes and Frameworks | **Activities**

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 2022		Outcomes
• Shareholder returns and dividends • Payments to other stakeholders • Share price appreciation	Rs.311 billion Shareholder funds Rs.718 billion Group assets	Rs.78 billion Net debt (cash) Rs.201 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	0.53 MT Carbon footprint per Rs.million of revenue 31% Non-hazardous waste recycled/reused by Group companies and through third party contractors	10.61 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	71% Employee retention rate 190 Injuries	25 hours Average hours of training per employee 67 : 33 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	650,102 Number of persons impacted by community engagements	90% 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.5.4 billion Value of intangible assets • Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2021 • LMD's Most Respected Entity • LMD Top 100 Entities Awards and accolades	25 No. of start-ups under incubation	• Evolving businesses to suit the ever changing, dynamic consumer • An entity better prepared to face disruptive business models • Efforts to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the second consecutive year in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL)

Alignment with SDGs

Trust | Innovation | Integrity

Chairman's Message

Dear Stakeholder,

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2022. 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 the pandemic and the prevailing macroeconomic crisis in the country.

The Group reported a strong performance during the year, which was a significant improvement, as expected, over the previous year, with all businesses witnessing a robust recovery momentum as the pandemic related challenges dissipated towards the second half of the year. The performance of our businesses reached pre-COVID-19 levels with business activity and consumer trends reverting to 'normal' on a sustained basis since the onset of the pandemic in early 2020. This positive momentum resulted in all sectors within the Group recording a strong growth in profits. The Group's Leisure businesses, in particular, recorded a significant turnaround in performance on account of the resumption in operations in Sri Lanka and the continued recovery in the Maldives. Recurring Group earnings before interest expense, tax, depreciation and amortisation (EBITDA) increased significantly by 152 per cent over the previous year to Rs.39.26 billion, driven by the turnaround in the Group's Leisure businesses, the commencement of revenue recognition at 'Cinnamon Life' and improved performance across all other business verticals.

The positive momentum of the Group's performance during the year is largely on account of the COVID-19 pandemic being well contained in Sri Lanka, as a result of the successful vaccination drive where almost the entirety of the adult population is fully vaccinated. Whilst new variants have emerged globally, the risk of an outbreak of serious cases was contained given the high vaccination rates, including the administration of booster doses.

As a responsible corporate with a heritage of operating in Sri Lanka for over 150 years, we will continue to play our role and contribute towards enabling the recovery of our economy at this pivotal juncture, leveraging on the 'Strength of Fundamentals'.

The resumption of tourist arrivals to the country was very encouraging, where arrivals for the month of March 2022 crossed the 100,000 mark, which is almost at 50 per cent of pre-pandemic levels. The re-opening of the country for tourism is one of the key catalysts to drive the recovery of the economy, particularly in the context of the positive impact it will have on the significantly deteriorating external financing position of the country.

Although the pandemic related disruptions were less during the year, the Sri Lankan economy faced numerous challenges, particularly from the second half onwards. Notwithstanding the gradual recovery from the pandemic, the country and the Group had to contend with severe domestic macroeconomic pressures, primarily emanating from a deteriorating external financing position, which was subsequently exacerbated by political uncertainty and social unrest towards the fourth quarter. We are presently facing the country's most significant and challenging crisis – economically, politically and socially. The country witnessed a record depreciation of the Rupee from March 2022 onwards, post the floating of the currency, due to the previously pegged exchange rate not being reflective of market rates, unprecedented rates of inflation, a scarcity of essential commodities, food and medicines, and disruptions to power supply, which has placed a significant burden on our businesses and the Sri Lankan populace, at large.

Due to the aforementioned dissatisfaction on account of the shortages of essential items and power, there was an increasing trend of the general public participating in social movements in the form of peaceful gatherings and demonstrations. Unfortunately, the peaceful protests were disrupted causing retaliatory violence and uncertainty for a few days, as the political and social unrest reached a peak. The subsequent resignation of the Prime Minister from his post resulted in the Government being dissolved. At the time of writing this Message, the situation in the country is calm with some level of political stability with the appointment of a new Prime Minister and a commitment from most political parties to support progressive reforms and the necessary policies to deal with the economic situation in the country. We hope that all parties will work together in the national interest to resolve this current crisis.

Given the perilous foreign currency reserves position of the country, in April 2022, the Government of Sri Lanka declared a pre-emptive measure of suspending the servicing of almost all of its external debt obligations, including international sovereign bonds, bi-lateral loans and facilities guaranteed by the Government. This measure was necessitated to enable use of the remaining reserves to secure and manage shortages of essential items in the country which has been one of the primary reasons for the peaceful protests. We note the positive developments in relation to the engagement with the International Monetary Fund (IMF) following the appointment of a new Governor of the Central Bank of Sri Lanka (CBSL), and the positive progress made thus far where technical discussions are in progress with expectations that a staff level agreement can be reached within a few months. As a precursor to an IMF programme, the Government has also initiated steps to prepare for a creditor negotiation process to restructure the country's foreign debts, whilst also engaging with supportive nations to secure bridge funding. Concurrently, the CBSL undertook an unprecedented policy rate hike of 700 basis points to curtail inflation and support the currency. We understand the necessary initial steps for economic recovery are being taken at this juncture and urge all key parties to have political stability and reach consensus on the critical next steps to ensure the actions required to revive the economy are taken in a decisive and expeditious manner following due process.

The calls for good governance, accountability and transparency by the people of the country need be heeded to ensure the necessary reforms and changes are undertaken to achieve a sustainable solution for the country. Country or corporate, we believe that the fundamentals of good governance remain the same; transparency, accountability, ethical conduct and respect for the rule of law while also embracing diversity, inclusivity and social responsibility. As a responsible corporate with a heritage of operating in Sri Lanka for over 150 years, we will continue to play our role and contribute towards enabling the recovery of our economy at this pivotal juncture, leveraging on the 'Strength of Fundamentals'.

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

- The Group witnessed a strong recovery momentum during the year under review with the recurring performance of most of our businesses reaching pre-COVID-19 levels.
- Group revenue increased by 71 per cent to Rs.218.07 billion while recurring Group EBITDA increased by 152 per cent to Rs.39.26 billion. The significant growth in profits was driven by the turnaround in the Group's Leisure businesses, the revenue recognition at 'Cinnamon Life' and improved performance across all other business verticals.
- The Leisure industry group, in particular, recorded a significant turnaround in performance with a recurring EBITDA of Rs.3.78 billion compared to the negative recurring EBITDA of Rs.3.59 billion in the corresponding year.
- The Maldivian Resorts segment continued its strong recovery where the occupancy and average room rates at our hotels reached pre-pandemic levels. With the relaxation of travel restrictions, the Colombo Hotels and Sri Lankan Resorts segments recorded a significant turnaround, reporting a positive EBITDA and PBT in the fourth quarter.
- Revenue recognition at 'Cinnamon Life' commenced during the year with the completion and commencement of the handing over of the residential and commercial units. The remainder of the project is scheduled for commencement of operations, in a phased manner, in the first half of the calendar year 2023.
- The Group's Port business recorded an increase in profitability driven by volume growth and ancillary revenues whilst the Bunkering business recorded an increase in profitability driven by higher margins on account of the increase in global fuel prices and volumes.
- The Retail industry group recorded an encouraging performance with same store sales growth driving profitability in the Supermarket business, whilst the Office Automation business recorded a strong increase in mobile phone volumes, although PBT was materially impacted on account of the sharp depreciation of the Rupee.
- The Consumer Foods industry group continued its strong recovery momentum with all segments recording strong double-digit growth in volumes, with volumes reaching pre-pandemic levels.
- The Insurance business recorded double digit growth in gross written premiums driven by a strong growth in regular new business premiums. The Banking business recorded an increase in profitability aided by loan growth, focused recovery efforts and cost management initiatives.
- A private placement of JKH shares of the LKR equivalent of USD 80 million to Asian Development Bank (ADB) was approved by the shareholders in December 2021. The first phase of the transaction amounting to the LKR equivalent of USD 50 million was concluded on 19 January 2022.
- The USD 395 million loan at 'Cinnamon Life', which was due for repayment by July 2022, was refinanced in December 2021 through a syndicated facility. The new facility comprises of a USD 225 million term loan and a USD 100 million bridging facility for a six-month period to align with the maturity date of July 2022 under the original facility.
- The conditions precedent stipulated in the build, operate and transfer (BOT) agreement of the WCT-1 project at the Port of Colombo, including work towards project design and costs and other structuring arrangements were met, and the site was handed over to the project company in February 2022 for the commencement of construction.
- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, worked on several 'use cases' in the Retail and Consumer Foods industry groups which were successfully piloted, scaled and deployed, with initial pilot projects indicating signs of significant value that can be unlocked from translating advanced analytics insights into business interventions and transformation.
- The Diversity, Equity and Inclusion (DE&I) programme, under the brand 'ONE JKH', rolled-out many initiatives with the aim of increasing women participation in our workforce, providing career opportunities to persons with disabilities and being inclusive of the LGBTIQ+ community.
- The Group's carbon footprint per million rupees of revenue decreased by 18 per cent and water withdrawn per million rupees of revenue decreased by 19 per cent.

	Recurring EBITDA*		
Rs.'000	**2021/22**	**2020/21**	**Variance**
Transportation	6,140,923	3,610,416	2,530,507
Consumer Foods	3,484,778	3,317,535	167,243
Retail	7,549,338	5,522,678	2,026,660
Leisure	3,784,901	(3,588,464)	7,373,364
Property	7,867,199	(17,348)	7,884,546
Financial Services	5,023,608	3,644,923	1,378,685
Other, including Information Technology and Plantation Services	5,407,909	3,081,916	2,325,993
Group	39,258,655	15,571,656	23,686,999

**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 all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

Chairman's Message

Group Performance

For the financial year 2021/22, Group revenue increased by 71 per cent to Rs.218.07 billion while recurring Group EBITDA increased by 152 per cent to Rs.39.26 billion, displaying the strong recovery momentum of the businesses. The recurring Group profit before tax (PBT) increased by 599 per cent to Rs.24.43 billion while the recurring profit attributable to equity holders of the parent increased by 685 per cent to Rs.20.41 billion for the financial year ended 31 March 2022.

The Group maintained foreign currency cash holdings to meet its funding commitments which comprises of the funds earmarked for the equity infusions of the 'Cinnamon Life' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB. The performance of the Group was positively impacted by foreign currency exchange gains on its US Dollar denominated cash holdings at the Holding Company net of the USD 175 million term loan facility from the International Finance Corporation (IFC), resulting from the steep depreciation of the Sri Lankan Rupee against the previous year.

It should be noted that the EBITDA for 2021/22 includes one-off impairment charges in the Transportation and Property industry groups, which are more fully detailed in the ensuing section of this Message and the Group Consolidated Review section of the Report. The recurring EBITDA analysis below is post the elimination of these one-off impacts in order to demonstrate the performance of the core operations of the businesses. As 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, I will focus on a high-level summation of the performance of each industry group during the financial year 2021/22.

The year under review marks the commencement of revenue and profit recognition from the completion and handover of the residential apartments and office towers of the 'Cinnamon Life' project, a significant milestone considering the long gestation period of the project.

Capital Raising

As announced to the Colombo Stock Exchange in November 2021 and subsequent to shareholder approval in December 2021, the JKH Board resolved to raise funds through a private placement of ordinary shares, in two phases, for a maximum cumulative amount of the LKR equivalent of USD 80 million to Asian Development Bank (ADB). In January 2022, Phase 1 of the above transaction was completed for a consideration of the LKR equivalent of USD 50 million, resulting in a post-issue dilution of 4.70 per cent. Whilst Phase 2 is for an investment amount of up to a maximum of the LKR equivalent of USD 30 million, the cumulative maximum dilution post-issue of Phase 2 will be 7.31 per cent. The proceeds from the transaction will be utilised by JKH for the purpose of balance sheet strength and agility to support its investments in an optimal manner. The Group will engage with ADB to obtain technical expertise for its environmental, social and governance (ESG) strategy, capacity building for climate resilience and farmer assistance initiatives.

The 'Cinnamon Life' Project

The year under review marks the commencement of revenue and profit recognition from the completion and handover of the residential apartments and office towers of the 'Cinnamon Life' project, a significant milestone considering the long gestation period of the project. Operations of the hotel, retail and entertainment spaces are scheduled to commence, in a phased manner, in the first half of the calendar year 2023, which will result in the generation of significant recurring cash flows for the Group once operations ramp up.

As a landmark iconic development which will transform Colombo's skyline, the project will be a catalyst in creating tourism demand into the city, particularly in terms of catering to the emerging requirements of the contemporary tourist and the increasing demand for the Meetings, Incentives, Conferences and Events (MICE) segment in the region, thereby positioning Colombo as a sought-after destination for international business and leisure travel. The potential foreign exchange earnings from integrated resorts such as 'Cinnamon Life' is a crucial requirement for the country, at this juncture of time, in particular.

Transportation

The Transportation industry group recurring EBITDA of Rs.6.14 billion in 2021/22 is an increase of 70 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.3.61 billion]. The significant increase in profitability is primarily attributable to the performance of the Group's Ports business, South Asia Gateway Terminals (SAGT), and the Bunkering business, Lanka Marine Services (LMS). The profitability at SAGT recorded an increase as a result of improved domestic volumes and higher revenue from ancillary operations. During the year under review, the Port of Colombo (POC) recorded an encouraging volume growth of 8 per cent, driven by a recovery in vessel movement and trade activity. LMS recorded an increase in profitability driven by higher margins on account of the steep increase in fuel oil prices and volumes.

It should be noted that the financial statements for 2021/22 include one-off impairments/ charges for three of the Transportation companies, collectively amounting to Rs.5.30 billion. These adjustments include: (1) an impairment of goodwill arising from the difference in the original investment and carrying value of the investment given the impending end of the concession on the 30-year build, operate and transfer agreement of SAGT in 2029; (2) a general provision for taxes at LMS, as a measure of prudence, in line with the higher operational activity and the current tax positions which are under appeal; and (3) an impairment loss recognised at 'Cinnamon Air' to reflect the current operating conditions given the multiple setbacks faced in the recent years from the Easter Sunday attacks in 2019, the subsequent pandemic driven impacts on tourism and operating conditions thereafter.

Recurring EBITDA

Rs.**6.14**bn

Transportation industry group 70%

The development work of the West Container Terminal progressed well during the year. The conditions precedent stipulated in the build, operate and transfer agreement, including work towards project design and costs and other structuring arrangements were met, and the site was handed over to the project company in February 2022 for construction.

The development work of the West Container Terminal (WCT-1) progressed well during the year. The conditions precedent stipulated in the build, operate and transfer (BOT) agreement, including work towards project design and costs and other structuring arrangements were met, and the site was handed over to the project company in February 2022 for construction. The project was granted Strategic Development Project (SDP) status considering its strategic importance to the Port of Colombo and the country. The debt funding for the project was also secured during the year and financing documents were executed.

The WCT-1, which has a lease period for 35 years, is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and has an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 600 meters, is slated to be operational within a period of ~24 months. The remainder of the terminal is expected to be completed within a further period of ~24 months. The total project cost is envisaged to be ~USD 650 million with a debt to equity mix of ~70:30. The JKH equity commitment is estimated at USD 70 million, of which ~USD 10 million has already been invested into the project company with the remainder to be invested on a staggered basis over the project construction period.

It is encouraging to note that the volume growth momentum in the second half of the year averaged between 30 to 40 per cent for the Beverage and Frozen Confectionery businesses. The volumes of all three businesses exceeded pre-pandemic levels, reaching the highest levels of sales in its history of operations.

Recurring EBITDA

Rs.**3.48**bn

Consumer Foods industry group 5%

Consumer Foods

The Consumer Foods industry group recurring EBITDA of Rs.3.48 billion in 2021/22 is an increase of 5 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.3.32 billion]. The Beverages, Frozen Confectionery and Convenience Foods businesses recorded a strong recovery momentum during the year, achieving double digit growth in volumes. However, the significant operating leverage did not fully translate to profits due to margin pressures on account of rising input costs. It is encouraging to note that the volume growth momentum in the second half of the year averaged between 30 to 40 per cent for the Beverage and Frozen Confectionery businesses. The volumes of all three businesses exceeded pre-pandemic levels, reaching the highest levels of sales in its history of operations. The Beverages business expanded its capacity in the water segment through the acquisition of a facility which provides the business with another water source and bottling capacity.

During the year under review, the margins of the businesses were under pressure primarily due to raw material price increases, which was largely a global phenomenon, coupled with the impact of the steep depreciation of the Rupee towards the fourth quarter of the year. Whilst this was mitigated to an extent with the significant operating leverage on account of higher volumes, the businesses also undertook price increases in selective SKUs. The pressure on product margins, which is exacerbated with rising inflation across all inputs in the country, is expected to continue over the next few quarters. All necessary measures to mitigate this impact will be undertaken, to the extent market conditions permit, with due consideration to the price elasticity of demand for the products in the portfolio. Whilst input costs have increased across all industries in the country on account of high inflation and supply chain disruptions in the market, the negative impact of exchange rates through the sharp depreciation of the Rupee could be largely one-off if the currency stabilises in the near future. The prevailing foreign currency shortage in the market however is likely to place further pressure on supply chains in the country and, unless the ability to establish trade facilities improve, there could be disruptions to our suppliers and, in turn, on the manufacturing and seamless distribution of our product portfolio. Considering these circumstances, the business will use its available raw material resources to optimally manage its production and profitability.

Retail

The Retail industry group recurring EBITDA of Rs.7.55 billion in 2021/22 is an increase of 37 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.5.52 billion].

The Supermarket business recurring EBITDA of Rs.5.20 billion in 2021/22 is an increase of 26 per cent against the previous financial year [2020/21: Rs.4.14 billion]. Despite the challenging circumstances that prevailed following the intermittent lockdowns on account of the pandemic, the performance of the Supermarket business continued its strong recovery momentum with same store sales and footfall recording encouraging growth for the year under review. Although same store sales were impacted to an extent due to outlet closures during the periods of travel restrictions, this was offset to an extent by an increase in online sales. The strong growth in online sales was supported by the revamped online platform which provides a more diverse offering, amongst other features, to enable a faster and better shopping experience for our customers.

Given the notable shortages in essential goods and other fast-moving items, the business proactively ramped up its direct sourcing strategy during the year with the aim of bridging gaps and, more importantly, providing its customers with such products at the best possible value. This has also helped drive footfall to our outlets. Whilst the Supermarket business has significantly increased penetration of its private-label range, this focus was augmented with the intention of managing inventory better and also providing its customers with better choice and 'value for money', both of which are important decision drivers for consumers, particularly at this juncture.

Given the increased challenges in sourcing products due to supply chain disruptions, which is affecting all manufacturers and importers of goods, inventory gaps of the Supermarket business during the latter end of the year under review has been at a peak. Such gaps are likely to increase, until such time a certain level of economic stability is achieved and the lack of foreign exchange liquidity is overcome.

Chairman's Message

The Supermarket business witnessed a conversion from general trade to modern trade in the recent quarters which is expected to continue given the ability for the modern trade to ensure less disruptions to its supply chains through better management of its inventory and working capital, as well as the ability to pass on benefits to consumers due to the scale of operations. The performance of the Supermarket business is envisaged to remain insulated, to a large extent, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket. Whilst the ongoing financial crisis may dampen consumer discretionary spend, the increase in inflation, together with the aforementioned reasons, where consumer demand for essential items should continue, are expected to support growth in the business.

During the year under review, outlet expansion was moderate due to pandemic related disruptions. Five new outlets were opened, increasing the total outlet count to 128 as at 31 March 2022 [2020/21: 123 outlets]. Considering the uncertainty and volatility on construction related costs, in particular, at this point, the business will closely review and monitor the expansion of its network. While the investment per outlet has increased significantly, the business will also benefit from higher revenue which will in turn positively impact the feasibility studies of prospective outlets.

The state-of-the-art centralised distribution centre (DC) in Kerawalapitiya commenced operations in January 2022. The ~260,000 sq.ft. facility, constructed at a cost of Rs.4.30 billion, is the largest DC in the modern retail sector of Sri Lanka, equipped with the latest innovative technology, systems, and health and safety standards in accordance with international best practice. The DC will augment the offering of the Supermarket business, given its ability to cater to its outlet expansion in the medium to long-term and translate into significant process and operational efficiencies, particularly given the centralisation of almost the entirety of the dry, chilled and fresh range.

The Office Automation business recorded a strong increase in recurring EBITDA driven by a double-digit growth in mobile phone volumes. However, the sharp depreciation of the Rupee in the fourth quarter led to a significant increase in exchange losses on account of the USD Dollar denominated trade payables, which impacted the PBT for the year. The performance of the Office Automation business is expected to undergo challenges until such time the foreign currency liquidity position of the country is stabilised.

Leisure

The Leisure industry group recurring EBITDA of Rs.3.78 billion in 2021/22 is a significant turnaround against the negative recurring EBITDA of the previous financial year [2020/21: negative Rs.3.59 billion]. The turnaround in performance is on account of the strong performance of the Maldivian Resorts and the encouraging recovery momentum witnessed in the Sri Lankan Leisure businesses subsequent to the relaxation of travel restrictions and the reopening of the airport. In addition to the Maldivian Resorts segment, the Colombo Hotels and Sri Lankan Resorts segments recorded a significant turnaround, reporting a positive EBITDA and PBT in the fourth quarter.

It is encouraging to witness the gradual easing of the impact of the COVID-19 pandemic on global tourism, with higher vaccination rates globally and an increasing number of destinations easing travel restrictions as living with the pandemic becomes an accepted way forward for many countries. These factors have collectively contributed to a surge in global travel.

The Maldivian Resorts segment continued its recovery momentum where the occupancy and average room rates at our hotels reached pre-pandemic levels during the fourth quarter of the year under review, supported by arrivals from both traditional and new source markets. The Group is well positioned to capitalise on this opportunity given that the full complement of inventory in all four resorts in the Maldives is available, following the refurbishments and reconstruction just prior to the pandemic.

With the easing of health restrictions from end November 2021 onwards, the Colombo Hotels witnessed a significant pick-up in the number of events and banquets while restaurant operations have reverted to pre-pandemic levels.

Recurring EBITDA
Rs.**7.55**bn
Retail industry group
37%

The performance of the Supermarket business is envisaged to remain insulated, to a large extent, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket.

Recurring EBITDA
Rs.**3.78**bn
Leisure industry group

The turnaround in performance is on account of the strong performance of the Maldivian Resorts and the encouraging recovery momentum witnessed in the Sri Lankan Leisure businesses subsequent to the relaxation of travel restrictions and the reopening of the airport. In addition to the Maldivian Resorts segment, the Colombo Hotels and Sri Lankan Resorts segments recorded a significant turnaround, reporting a positive EBITDA and PBT in the fourth quarter.

The Group's Sri Lankan Resorts commenced normal operations during the third quarter with the relaxation of travel restrictions to Sri Lanka. With foreign arrivals continuing to grow month on month from December 2021 onwards together with a meaningful contribution from domestic tourism, which is still a key contributor to the segment, it was encouraging to note that Sri Lankan Resorts recorded a positive EBITDA in the fourth quarter.

Whilst global tourist arrivals are expected to record a recovery, continued uncertainty and volatility on the macroeconomic stability of the country and resultant social unrest, further exacerbated by the ongoing fuel and power crisis, may pose challenges for the country in attracting foreign arrivals in the immediate-term. However, given ongoing discussions to strengthen Sri Lanka's foreign exchange position, such impacts are envisaged to diminish in the next few months as this is expected to stabilise the macroeconomy and address issues of social unrest. Accordingly, the negative impact on arrivals witnessed in April and in the first few weeks of May 2022 may be limited to a few months. This period is typically the lower season months and recovery should take place well in time for the peak season which commences from around December onwards. Sri Lanka continues to remain attractive as a tourist destination given our diverse landscape and unique offerings, with added attractiveness on account of the significant depreciation of the Rupee.

Property

The Property industry group recurring EBITDA of a Rs.7.87 billion in 2021/22 is a significant increase against the negative recurring EBITDA of the previous financial year [2020/21: negative Rs.17 million]. The increase in profitability is due to the revenue recognition post the completion and handover of the residential and commercial units of the 'Cinnamon Life' project. With regard to the residential towers at 'Cinnamon Life', revenue on the 267 units sold has been recognised during 2021/22, with a remaining inventory of 160 units to be sold.

Whilst COVID-19 restrictions imposed during mid-May and mid-August impacted the momentum of construction at 'Cinnamon Life', particularly the mobilisation of labour, the available resources and efforts were continually re-planned and re-organised to ensure the completion of the residences and the office towers for handover, as planned. The hotel, 'Cinnamon Life Colombo', and the retail components of the project are in the final stages of construction, where fit outs and interior decorating of the hotel rooms and common areas are currently underway. Accordingly, the hotel, retail and entertainment spaces are scheduled for commencement of operations, in a phased manner, in the first half of the calendar year 2023. Discussions with key tenants of the retail mall continued during the year, with various options being considered for the retail space to ensure unique attractions and offerings.

Despite the challenging macroenvironment, the USD 395 million syndicated loan at 'Cinnamon Life', which was due for repayment by July 2022, was refinanced through a USD 325 million loan facility in December 2021. In addition to the proceeds from the refinancing facility, proceeds from the sales of the apartments and cash reserves were utilised to settle the remaining outstanding of the original syndicated loan facility. The refinanced facility comprises of two tranches; where the main loan is a five-year syndicated term loan for USD 225 million, and the second tranche of USD 100 million is a six-month bridging loan facility to align with the maturity date of July 2022 under the original facility. The refinancing facility was concluded at a rate similar to the previous facility taking into account step-down pricing triggers as well. Whilst most of the capital expenditure requirements of the project has already been funded, the remaining funding of the project will be met through a mix of equity commitments through capital already raised and held at the holding company and internally generated cash through sales of the inventory of residential units and commercial spaces earmarked for outright sale.

Given current market conditions and uncertainty, the steep depreciation of the Rupee and the outlook on USD linked rental for commercial space, Waterfront Properties (Private) Limited (WPL), the project company of 'Cinnamon Life', re-assessed the fair value of the office spaces at the 'Cinnamon Life', and accordingly recognised an impairment loss of Rs.4.90 billion on its investment property (IP) as a prudential measure. In keeping with the functional reporting currency of WPL, the IP value of the property is recognised in US dollars. The prudential provisioning is on the basis of having flexibility in structuring commercial arrangements in line with market conditions.

Construction of the 'Tri-Zen' development continued to progress well during the year, with the achievement of the milestone of completing structural work of all three towers with a 'topping-off' ceremony held in January 2022. The mechanical, electrical, plumbing work and fit outs are currently underway, with the overall project scheduled for completion in mid-2023. The sales momentum and interest towards 'Tri-Zen' continued to strengthen with pre-sales increasing substantially during the year to reach 74 per cent, with record sales particularly in the fourth quarter.

The newly revamped 'Crescat Boulevard' mall was launched in November 2021, offering a revitalised, upmarket shopping and dining experience for Colombo's shoppers. Since its relaunch, the business was able to secure lease tenants at an encouraging pace.

Recurring EBITDA

Rs.**7.87**bn

Property industry group

The increase in profitability is due to the revenue recognition post the completion and handover of the residential and commercial units of the 'Cinnamon Life' project. With regard to the residential towers at 'Cinnamon Life', revenue on the 267 units sold has been recognised during 2021/22, with a remaining inventory of 160 units to be sold.

Financial Services

The Financial Services industry group recurring EBITDA of Rs.5.02 billion in 2021/22 is an increase of 38 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.3.64 billion].

The Group's Insurance business, Union Assurance PLC (UA), recorded encouraging double-digit growth in gross written premiums, which reached pre-pandemic levels. The regular new business premiums, in particular, recorded strong growth, with UA being placed as the second largest regular new business producer in the industry. Despite the subdued market interest rates that prevailed during the early half of the year, UA recorded an increase in investment income supported by a realignment of the asset allocation and higher rates towards the end of year. The business also continued to strengthen its bancassurance channel with multiple leading banks, consolidating its position as a leading bancassurance provider in the country. UA recorded an annual life insurance surplus of Rs.1.60 billion in 2021/22, a notable increase against the surplus of Rs.825 million recorded in the previous year.

Chairman's Message

Nations Trust Bank PLC (NTB) recorded an increase in profitability driven by loan growth, focused recovery efforts and cost management strategies. Despite the subdued economic conditions, NTB recorded a decline in its non-performing loans (NPL) ratio reflecting cost efficiencies and improvements in its portfolio quality. An impairment provision of Rs.990 million was made on its portfolio of Sri Lanka Government securities denominated in foreign currency during the fourth quarter of 2021/22. NTB, however, has a relatively low exposure given that this investment portfolio accounts for only 3.6 per cent of the Bank's assets as of 31 March 2022.

John Keells Stockbrokers recorded an encouraging performance during the calendar year on the back of a strong recovery in activity in the Colombo Stock Exchange. Due to the significant macroeconomic challenges, the stock market recorded lower market turnover in the fourth quarter of 2021/22.

Recurring EBITDA
Rs.**5.02**bn
Financial Services industry group 38%

The Group's Insurance business, Union Assurance PLC, recorded encouraging double-digit growth in gross written premiums, which reached pre-pandemic levels.

Recurring EBITDA
Rs.**5.41**bn
Other, incl. Information Technology and Plantation Services industry group 75%

The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.

Other, including Information Technology and Plantation Services

The Information Technology sector recurring EBITDA of Rs.451 million in 2021/22 is an increase of 23 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.368 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.239 million in 2021/22 is a decrease of 33 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.356 million]. The Plantation Services sector recorded a decline in profitability primarily on account of lower volumes owing to the effects of the prolonged fertiliser shortage arising due to the import ban on agrochemicals imposed for a period of time.

Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs.5.41 billion in 2021/22, which is an increase of 75 per cent over the recurring EBITDA of the previous financial year [2020/21: Rs.3.08 billion]. The increase in EBITDA is mainly attributable to the increase in interest income on account of higher cash and cash equivalents at the Holding Company.

The Holding Company maintained foreign currency cash holdings to meet the Group's funding commitments which comprises of the funds earmarked for the equity infusions of the 'Cinnamon Life' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB. The PBT of the Holding Company was positively impacted by foreign currency exchange gains on its US Dollar denominated cash holdings net of the USD 175 million term loan facility from IFC, resulting from the steep depreciation of the Sri Lankan Rupee against the previous year.

Advanced Analytics

The Group's advanced analytics transformation journey, in collaboration with a global consulting firm, continued with the deployment of advanced analytics solutions or 'use cases', whilst driving the adoption of a greater degree of data driven decision-making in day-to-day operations of businesses across the Group. OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group, now constitutes a well-established team of data scientists, data engineers, visualisation analysts and analytics delivery professionals.

As in the previous financial year, the effects of the COVID-19 pandemic on business operations necessitated a review of the timing of piloting and rolling out of some 'use cases'. However, despite these challenges, several 'use cases' in the Retail industry group and the Beverages business of the Consumer Foods industry group were successfully piloted, scaled and deployed. Initial assessment of the business impact of these 'use cases', post roll-out and complete business wide adoption, provide strong indication that the anticipated benefits that were evident through initial pilot projects can be sustained at scale.

During the period under review, OCTAVE also commenced work on 'use cases' in the Frozen Confectionery and Beverage businesses and on 'use cases' in the Leisure industry group. Data governance practices have now been extended to the Leisure industry group, with defined roles being staffed by trained resources and milestones set for governing of 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 180 team members in the Group in the functioning of advanced analytics roles at OCTAVE and within the businesses.

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 yet another year of many challenges.

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 source of success of the John Keells Group, and, I believe, will continue to be a key differentiator going forward as well.

While the agile work practices and policies of the Group enabled and facilitated a conducive work environment for our teams during the pandemic, the current macroeconomic conditions in particular have created uncertainty for the talent pools across the country where the trend of migration has increased significantly. The Group is faced with a similar challenge in some of its businesses as we continue to take steps to improve retention through various initiatives, while also focusing on enhancing the Employer brand of the Group via the launch of initiatives to make a meaningful, positive and sustainable difference to our people as explained below.

The Group is cognizant of the hardships faced by the people of the country and our employees on account of rising prices and the scarcity of basic essential items. In light of these unprecedented circumstances the Group Executive Committee decided to provide a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees, during the month of April 2022, thereby taking a significant step in assisting the John Keells family during these challenging times. This care package is intended to assist the John Keells family in bridging the gap in the costs of basic essential items and, I believe, epitomises one of the core Values of our Group - Caring. The Group is also conscious this is a one-off financial relief and other forms of sustainable support, in terms of non-financial and indirect financial support will be rolled-out.

This care package is intended to assist the John Keells family in bridging the gap in the costs of basic essential items and, I believe, epitomises one of the core Values of our Group - Caring.

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, we continued to enhance our commitment towards Diversity, Equity and Inclusion (DE&I) under the brand 'ONE JKH', with many initiatives rolled-out with the aim of increasing women participation in our workforce, providing career opportunities to persons with disabilities and being inclusive of the LGBTIQ+ community.

The 'Champions of Change' pledge taken by the Group Executive Committee and the Group Operating Committee in June 2021, formalised the leadership's commitment to ensure that 'Life at JKH' is inclusive. The senior management of the Group participated in a series of awareness sessions, facilitated by an expert external resource person on addressing unconscious bias and the inaugural Chairman's Award for DE&I was presented at the annual awards ceremony in November 2021.

On Children's Day 2021, we launched our employer supported childcare facility at a subsidised rate for our people, with two crèche service providers currently on board. The employee resource group, 'Parents Connect 2021', was launched as a platform for parents in the Group while a structured process has been initiated towards achieving higher maternity and paternity leave return rates, and for supervisors to have timely conversations to better understand employee needs, prior to, and during, such leave periods.

Another key milestone was reached with the completion of the Inclusive Workplace Survey conducted in partnership with The National Transgender Network (NTN) and The Grassrooted Trust, to obtain a broad range of information on trans inclusivity in the corporate sector. The Group also joined IFC Sri Lanka's 'TWC+' ('Together We Can Plus), making commitments on inclusivity towards persons with disabilities.

Extending our DE&I focus to our value chains, the inaugural issue of the annual bi-lingual DE&I newsletter to the John Keells Group supplier network, 'JKH Connect', was released in April 2021.

In March 2022, JKH entered into an agreement to provide all female employees of the John Keells Group with sanitary napkins, free of charge, recognising that the lack of education on menstrual health and limited access to essential sanitation, may have a negative impact on not only the physical and mental well-being of individuals but also the productivity of females in the workforce.

The Group businesses are currently working towards reaching the five-year goal of 40 per cent women in the workforce by 2024/25, which was announced on International Women's Day 2021. As at 31 March 2022, the female participation stood at 33 per cent.

Governance

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2013, 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.

In affirmation of this commitment, JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the second consecutive year. JKH was the only entity to obtain a 100 per cent score for transparency in disclosure practices, which to us is one of the key elements in the 'Strength of Fundamentals' that are essential for a sustainable and successful business. This ranking is based on an assessment of corporate disclosure practices among the top 75 public limited companies listed on the CSE.

Chairman's Message

During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. The Group continued with its multi-pronged approach to internal audits and process reviews by augmenting its integrated fraud deterrent and investigation framework to foster synergy and collaboration efficiencies between components that deliver governance and assurance and related services, in facilitating business strategies. In addition, the Group continued to strengthen its Information Technology governance framework through the adoption of a Zero Trust Policy Framework.

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

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.

Annual Report Awards

I am pleased to state that John Keells Holdings PLC was pronounced the Gold award winner for 'Overall Excellence in Annual Financial Reporting' at the 56th Annual Report Awards Ceremony 2021, organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). This accolade emphasises the Group's continuous commitment to deliver a transparent, balanced and relevant report, ensuring adequate disclosures and further improving visibility of ESG related reporting. JKH and its other listed subsidiaries were recognised in their respective sectors and sub-categories and were recipients of a total of ten awards at the ceremony.

The Group is also working on strengthening its climate resiliency framework and policies and will work with partners such as the IFC and ADB, as relevant, to obtain the relevant expertise to benchmark our progress.

Sustainability

This Report discloses the Group's sustainability performance in accordance with the Global Reporting Initiative (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.

The Group's well entrenched sustainability management framework continued to ensure that sustainability considerations remain 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.

Due to the recovery momentum of the businesses, which resulted in higher operational activity compared to the previous year, in absolute terms, the Group recorded increases in emissions and resource usage. However, reflecting the positive results of the initiatives embarked upon in these areas, the Group's carbon footprint per million rupees of revenue decreased by 18 per cent and water withdrawn per million rupees of revenue decreased by 19 per cent. In absolute terms, the Group reported a 17 per cent increase in its carbon footprint to 96,100 MT, a 16 per cent increase in its water withdrawal to 1,940,542 cubic meters and a 23 per cent increase in its waste generation to 8,301 MT. 190 incidences of occupational injuries were recorded during the year. Initiatives taken to ensure employee health and safety are further detailed under the Industry Group Review section of this Report. The enhanced online Learning Management System, which facilitates learning digitisation, was utilised to deliver a transformative learning experience to employees, with an average of 25 hours of training provided per person.

As disclosed during the financial year 2020/21, the Group's businesses established Sustainability Goals to be achieved by 2024/25, which includes a 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. The performance against these goals is disclosed in this Report. The Group is also working on strengthening its climate resiliency framework and policies and will work with partners such as the IFC and ADB, as relevant, to obtain the relevant expertise to benchmark our progress.

Plasticcycle

The Group's Social Entrepreneurship Project – 'Plasticcycle', working towards its vision of being a catalyst in reducing plastic pollution in the country through creating awareness, supporting responsible disposal and promoting recycling, continued its efforts despite the challenges posed by the pandemic having collected 99,800 kg of recyclable plastic waste since inception in 2017/18 through a network of over 250 collection bins.

One of the focus areas of the year in review was improving the collection mechanism by strengthening the value chain by onboarding more collectors, facilitating the launch of a plastic waste collection centre, and also onboarding a service provider to monitor the collection process from the bin network.

'Plasticcycle', in collaboration with AGC Innovate, facilitated Group companies to use plastic modified asphalt concrete (PMAC) to restructure and resurface roads at several business locations, which is found to be a sustainable alternative for the reuse of non-recyclable plastic waste.

Corporate Social Responsibility

The John Keells Group remains resolutely committed to Corporate Social Responsibility (CSR), which is an integral part of the Group's business ethos – particularly being cognizant of the post-pandemic and socio-economic challenges prevalent during the reporting year.

All projects under our six focus areas for CSR - Education, Health, Environment, Livelihood Development, Arts and Culture and Disaster Relief - are inspired and sustained by our CSR vision of 'Empowering the Nation for Tomorrow'. Employee volunteerism continued to be a key component enabling our staff to actively engage in community empowerment and service whilst benefiting from the related sense of fulfilment and opportunities to further their own personal growth.

John Keells Foundation (JKF) - a company limited by guarantee and registered as a 'Voluntary Social Service Organisation' - plans and implements the CSR initiatives of the Group with the strategic direction of the Group Executive Committee and synergistic support of the Group businesses. JKH is a participant of the United National Global Compact (UNGC) and the Group's activities are aligned to national priorities and the Sustainable Development Goals, addressing key universal needs for the development of people, focusing on the three dimensions of sustainable development – economic growth, social inclusion and environmental protection.

Whilst further details are available under the Group Consolidated Review and Industry Group Review sections of this Report, following are some of the highlights of the Foundation's work during the year.

John Keells Praja Shakthi

JKF undertook several initiatives under this location centric community empowerment programme:

- Colombo 2 - JKF in partnership with the IFC, 'Cinnamon Life' and the Urban Development Authority formalised plans for a Street Market as a community livelihoods development initiative with a focus on women. As another livelihood support initiative, a sustainability assessment was conducted on street vendors operating at Galle Face, in collaboration with the Colombo Municipal Council, towards enhancing the capacity and market reach of street vendors through upskilling.
- Hikkaduwa and Ranala - JKF continued to empower and support the women batik artisans in Hikkaduwa and paper bag producers of the 'Batawela Ranliya Women's Society of Ranala' in collaboration with 'Hikka Tranz by Cinnamon' and CCS PLC, respectively, through capacity development and new market linkages, adapting JKF's collaborative activities to assist the SMEs during unprecedented challenges prevalent during the year.
- Ja-Ela – Following preliminary discussions and assessment visits with related stakeholders, a livelihood development activity to enhance production capacity in dairy farming and production of spices was initiated in partnership with KFP PLC and 'K-Zone Ja-Ela'.

Environment

- 'Cinnamon Rainforest Restoration Project' – a collaboration between JKF, 'Cinnamon Hotels & Resorts', Ruk Rakaganno and the Forest Department of Sri Lanka, was launched with the objective of restoring a degraded 59-acre plot in Suduwelipotha located in proximity to the Sinharaja forest reserve. Ground clearance, preparation and planting activities were initiated during the year.

Digital Learning Initiative

- JKF in partnership with Deutsche Bank, Dialog Axiata PLC and John Keells Office Automation launched the pilot programme of John Keells 'Praja Shakthi' Digital Learning Initiative in Ranala and Colombo 2. The project aims to facilitate online based education of disadvantaged school children by providing digital devices and data packages.

English Language Scholarship Programme (ELSP)

- ELSP continued to enhance English and IT skills of disadvantaged school children by offering 653 scholarships under Tier 1 of its flagship programme 'English for Teens'. 134 students participated in the Tier 2 virtual speech competition demonstrating commendable skills and confidence.

Youth and Child Development

- 59 Advanced Level and University students were provided scholarships under the Higher Education Scholarship scheme, which is aimed at encouraging disadvantaged youth to pursue their higher education.
- JKF in partnership with ChildFund Sri Lanka and the University of the Visual and Performing Arts conducted 10 aesthetic workshops at the De Mel Park Community Centre in Colombo 2 towards uplifting the mental health of 76 youth affected by the pandemic.

Upskilling Supplier Groups

- JKF continued its supply chain management initiative 'Skill into Progress' (SKIP) aimed at upskilling identified supplier groups. A customised English programme was completed by 40 chauffeur guides of Walkers Tours and Whittals Boustead.

Project WAVE (Working Against Violence through Education)

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

- A public campaign against GBV with a focus on domestic violence, in commemoration of the International Day for the Elimination of Violence against Women, under the theme 'Break the Silence'. This comprised a cross-sectoral panel discussion on prime time TV and a two-week social media campaign with an estimated cumulative reach of over 1,480,764 persons.
- General staff awareness sessions for Group staff and a refresher programme for 16 pre-trained master trainers on Child Protection from 'Cinnamon Hotels & Resorts' were conducted, benefiting a total of 1,095 personnel.
- External awareness on GBV benefiting 298 university undergraduates.
- An island-wide art competition for school children aged 7-12 to commemorate National Children's Day and to raise public awareness on Child Protection. 518 children took part in the competition from all 9 provinces.

Substance Abuse Prevention Awareness

- JKF carried out a Substance Abuse Prevention Awareness programme in Ja-Ela for Government officials in collaboration with the Ja-Ela Divisional Secretariat, Humedica Lanka, KFP and 'Keells', benefiting a total of 48 participants.
- In commemoration of the International Day Against Drug Abuse and Illicit Trafficking, JKF conducted a public awareness campaign on social media in collaboration with the National Dangerous Drugs Control Board (NDDCB) which reached over 5,700 persons.

Kala Pola (Art Fair)

- Due to pandemic related restrictions, two Kala Pola events were hosted virtually, showcasing a total of 6,415 works by 399 artists and attracting 71,100 visitors, with encouraging sales including commissioned work. The events, conducted in partnership with Nations Trust Bank PLC, also comprised interactive features targeting collectors, children, artists, and the public.

Chairman's Message

Primary Sponsorships

- JKF continued its sponsorship support for The Museum of Modern and Contemporary Art Sri Lanka (MMCA) and the Gratiaen Trust (GT). Key activities include the launch by MMCA of its second exhibition titled 'Encounters' at the museum's new venue at Crescat Boulevard recording over 2,800 visitors, while GT conducted its annual Gratiaen Prize 2020 as well as the H.A.I. Goonetileke Prize for Literary Translation.
- JKF initiated a sponsorship for the Aluwihare Heritage Centre'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 – and to support related activities of a group of women entrepreneurs in Aluwihare in the Matale District.

Restoration of the George Keyt Art Collection

- JKF initiated the restoration of The George Keyt Collection under JKH's patronage.

Disaster Relief

- Towards supporting the efforts to combat the COVID-19 pandemic and to enhance the capacity of Government hospitals, JKF donated Nebulisers and Nebuliser kits to the Ministry of Health, a wall oxygen system to the Nawagamuwa Divisional Hospital and a multipara monitor to the COVID-19 treatment centre at the Mullaitivu Puthukkudiyiruppu Divisional Hospital, in partnership with CCS PLC and ChildFund, respectively.
- JKF funded the cleaning of 29 wells of tea smallholders in Halwitigoda, Hingalgoda and Kurupanawa in association with TSF PLC, directly benefiting 200 persons, and distributed dry rations among low-income earners in Kalutara district in the aftermath of the monsoon floods.

Our Volunteers

- During the year in review, JKF recorded a total of 1,408 hours of CSR volunteerism by 230 staff volunteers across the John Keells Group in respect of activities conducted by JKF. This number excludes substantial volunteer activities undertaken at the business or sector level.

Dividends

The Company paid two interim dividends of Rs.0.50 per share, each, in November 2021 and February 2022.

Whilst the Group recorded a strong recovery momentum and growth in profits, given the prevailing volatile and uncertain macroeconomic environment which could result in stresses on operating performance and cashflows and the pipeline of strategic investments such as the WCT-1 project, your Board maintained the final dividend for 2021/22 at Rs.0.50 per share. Accordingly, the dividend declared for 2021/22 is Rs.1.50 per share. The final dividend for 2021/22 will paid on or before 22 June 2022.

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.

Retirement of a Director

Mr. A. Omar retires from the JKH Board with effect from 24 June 2022, having completed nine consecutive years on the Board. I would like to place on record our deep appreciation of the invaluable contribution made by Mr. Omar during his tenure on the Board.

Conclusion

While our businesses witnessed a strong recovery during the year, with performance reaching pre-pandemic levels faster than anticipated, the uncertainty and volatility on the macroeconomic stability of the country at this juncture, and resultant social unrest, poses an unprecedented and significant challenge for the country in the ensuing year. Whilst the developments in relation to the engagement with the IMF and the commencement of the requisite steps pertaining to the debt restructuring process is positive, the immediate need is to ensure Sri Lanka has the political and social stability required to achieve the economic outcomes needed at this crucial juncture, particularly in terms of stabilising the foreign currency liquidity position and restoring the supply of essential items and power.

In this regard, the appointment of a new Prime Minister and a commitment from most political parties to support progressive and the necessary policies to deal with the economic situation in the country has established a level of stability and confidence. While the current macroeconomic challenges continue to evolve, I wish to assure you that all our businesses have done its best to prepare for the uncertainty and challenges ahead in ensuring the momentum of business continues to its utmost potential as we serve all our stakeholders. As always, I am extremely proud of the manner in which our people and teams have rallied around to ensure we continue to prepare, pre-empt and navigate these challenges successfully.

I am also confident of the resilience of the people of the country to overcome this challenge, as we have done time and time again. The manner in which Sri Lankans have united gives us hope that we will overcome these challenges, together, and be stronger in the future as we look to build a sustainable future with strong governance and transparency as the cornerstone. As a corporate in existence for over 150 years, we will continue to play our part in building the future of our country, leveraging on the 'Strength of Fundamentals' of both the country and our Group.

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 yet another 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

23 May 2022

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 details of the operational performance of the Group.

www.keells.com/investor-presentation

Financial and Manufactured Capital

Performance Highlights

Group (Rs.million)	2021/22	2020/21	2019/20
Revenue - consolidated	244,356	145,446	157,833
Recurring profit before interest and tax (EBIT)	31,149	7,893	13,403
Recurring profit before interest, tax, depreciation and amortisation (EBITDA)	39,259	15,572	20,069
Recurring profit before tax (PBT)	24,432	3,498	10,299
Recurring profit after tax (PAT)	20,760	2,003	7,636

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

- The Group witnessed a strong recovery momentum during the year under review with the recurring performance of most of our businesses reaching pre COVID-19 levels.
- Group revenue increased by 71 per cent to Rs.218.07 billion while recurring Group EBITDA increased by 152 per cent to Rs.39.26 billion. Performance was driven by the turnaround in the Leisure business, the revenue recognition at 'Cinnamon Life' and improved performance across all other business verticals.
- The Leisure industry group, in particular, recorded a significant turnaround in performance with a recurring EBITDA of Rs.3.78 billion compared to the EBITDA of a negative Rs.3.59 billion in the corresponding year.
- The Maldivian Resorts segment continued its strong recovery where the occupancy and room rates at our hotels reached pre-pandemic levels. With the relaxation of travel restrictions, the Colombo Hotels and Sri Lankan Resorts segments recorded a significant turnaround, recording a positive EBITDA and PBT in the fourth quarter.
- Revenue recognition at 'Cinnamon Life' commenced during the year with the completion and handing over of the residential and commercial towers. The remainder of the project is scheduled for commencement of operations, in a phased manner, in the first half of the calendar year 2023.
- The Group's Port business recorded an increase in profitability driven by volume growth and ancillary revenues whilst the Group's Bunkering business recorded an increase in profitability driven primarily by higher margins on account of the increase in global fuel prices.
- The Retail industry group recorded an encouraging performance with same store sales growth driving profitability in the Supermarket business, whilst the Office Automation business recorded a strong increase in mobile phone volumes, although profitability was impacted on account of the sharp depreciation of the Rupee.
- The Consumer Foods industry group continued its strong recovery momentum with all segments recording strong double-digit growth in volumes during the year with volumes reaching pre-pandemic levels.
- The Insurance business recorded double digit growth in gross written premiums during the year driven by a strong growth in regular new business premiums. The Banking business recorded an increase in profitability driven by loan growth, focused recovery efforts and cost management initiatives.

Insights - Private Placement to ADB

In November 2021, the Company resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to Asian Development Bank (ADB) in two phases.

- In January 2022, the first phase of the above transaction was completed where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million.
- Additionally, in terms of the second phase, the Company also issued non-tradable/non-transferable options, entitling ADB to subscribe for additional 39,025,204 new ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million.
- ADB has the option of exercising the aforementioned options between 19 October 2022 and 18 January 2023 at an option exercise price, which would be based on the volume weighted average price of the Company's ordinary shares as quoted on the Colombo Stock Exchange during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00. If exercised, this would result in strengthening the cash position of the Group by a range of ~Rs.6.4 billion - Rs.7.8 billion, based on the floor price and cap price, respectively.

Investor Relations

Group Highlights

Annual Recurring EBITDA and PBT

Rs.million	2021/22	2020/21	2019/20	2018/19*
Recurring EBITDA				
Transportation	6,141	3,610	4,375	4,598
Consumer Foods	3,485	3,318	3,366	2,864
Retail	7,549	5,523	5,108	2,988
Leisure	3,785	(3,588)	2,306	5,431
Property	7,867	(17)	641	378
Financial Services	5,024	3,645	2,988	3,359
Other, incl. Information Technology & Plantation Services	5,408	3,082	1,286	4,106
Group	39,259	15,572	20,069	23,724
Recurring PBT				
Transportation	5,712	3,269	4,044	4,281
Consumer Foods	2,319	2,304	2,284	1,885
Retail	3,056	1,608	1,490	351
Leisure	(1,512)	(8,546)	(1,597)	1,945
Property	7,650	(109)	535	245
Financial Services	4,995	3,360	2,755	2,966
Other, incl. Information Technology & Plantation Services	2,213	1,612	787	3,632
Group	24,432	3,498	10,299	15,305

**Adjusted for SLFRS 16 - Leases, for comparison purposes.*

- As seen in the tables above, the performance of the Group demonstrates the realisation of the capacity building and investments into profit growth.
- With the exception of Property, which has benefited from the profit recognition at the 'Cinnamon Life Integrated Resort', profits of all other businesses are at a sustainable level, not withstanding the short-term impacts on account of the macroeconomic environment.

Insights - Managing the Group's Foreign Currency Exposure

The steep depreciation of the Rupee witnessed during the latter end of the year had the following implications on the Group's financial position:

- Gross debt noted a significant increase, particularly given the exposure of the USD 175 million long-term loan facility at the Holding Company and the USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million at Waterfront Properties (Private) Limited.
- The Holding Company maintained a strong net cash position. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.
- At a Group level, the translation risk is also largely hedged 'naturally' as a result of the conscious strategy of matching liabilities against foreign currency denominated revenue streams, to the extent possible.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars.
- 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.

Recurring Group EBITDA

Rs.**39.26**bn ↑ 152%

2020/21: Rs15.57 bn

Diluted earnings per share

Rs.**15.12** ↑ 318%

2020/21: Rs.3.62

Return on equity (ROE)

7.5%

2020/21: 2.2%

Recurring Group PBT

Rs.**24.43**bn ↑ 599%

2020/21: Rs.3.50 bn

Total assets

Rs.**717.8**bn ↑ 34%

2020/21: Rs.536.8 bn

Net debt to equity

23.5%

2020/21: 20.0%

Refinancing of the USD 395 million syndicated loan facility at 'Cinnamon Life Integrated Resort'

In December 2021, Waterfront Properties (Private) Limited (WPL), the project company of 'Cinnamon Life Integrated Resort', refinanced the USD 395 million syndicated loan through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million, which was structured in order to align with the maturity date of July 2022 of the original USD 395 million facility.

- The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers.
- The facility is a five-year loan with a two-year grace period and back-ended capital payments.

Industry Group-Wise Quarterly Performance

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 impacted in Q1 due to the rapid outbreak of a third wave of COVID-19 cases in the country from late April 2021 onwards due to the imposition of island-wide travel restrictions and other health and safety measures implemented from mid-May to mid-June, although impacts to the Group's businesses were less pronounced compared to the preceding year, given better insights on consumer behaviour and better business preparedness. It is noted that the comparative performance of 2020/21 entailed an island-wide lockdown for a similar length of time.
- With the rapid outbreak of a fourth wave of COVID-19 cases in Q2, mainly as a result of the highly transmissible Delta variant, the Government imposed an island-wide quarantine curfew from mid-August till end September to contain the spread of the virus. The resultant curtailing of movement caused a slowdown in business activity and dampened consumer sentiment, exerting pressure on Group performance during Q2, particularly during the month of September.
- The subsequent gradual easing of restrictions from Q3 onwards enabled the businesses across the Group to recover to near 'normal' levels by end of Q3. The Group witnessed a strong recovery momentum during Q3 with the performance of Group businesses reaching close to pre COVID-19 levels. The Leisure business, in particular, recorded a significant turnaround in performance.
- The recovery momentum continued during Q4, with Group businesses witnessing a significant recovery and a strong growth in overall performance, particularly on the back of improved consumer sentiment despite the challenging macroeconomic landscape, including rising inflation levels, constraints in sourcing raw materials, challenges in foreign exchange markets, and fuel and power shortages, amongst others.
- While there were pandemic related disruptions in the first half, the table illustrates the quarter-on-quarter improvement in performance, barring seasonality, in each of the businesses. This is further reinforced by the year-on-year growth percentage of each of the businesses

Group Revenue	**Rs.million**				**YoY %**			
2021/22	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	5,412	7,763	7,602	11,111	88	104	46	101
Consumer Foods	3,691	4,580	5,433	7,303	28	(4)	50	40
Retail	20,163	20,855	26,043	23,781	64	20	31	15
Leisure	1,933	3,089	5,586	8,271	1,159	165	309	210
Property	3,585	8,071	3,486	20,590	5,190	7,175	2,085	7,420
Financial Services	3,022	3,906	4,846	3,911	32	3	18	15
Other, incl. Information Technology & Plantation Services	992	1,005	882	1,161	6	(5)	(5)	13
Group	38,799	49,269	53,878	76,129	80	53	53	96

Recurring EBITDA	**Rs.million**				**YoY %**			
2021/22	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	1,023	1,201	1,396	2,521	159	29	50	86
Consumer Foods	318	600	1,004	1,563	(35)	(37)	66	22
Retail	1,563	1,328	2,275	2,384	211	(3)	34	22
Leisure	(649)	(46)	1,234	3,247	56	96	222	4,709
Property	542	1,261	707	5,356	1,978	10,290	5,037	52,732
Financial Services	770	982	2,111	1,161	43	51	62	0
Other, incl. Information Technology & Plantation Services	1,197	1,079	803	2,329	222	78	7	72
Group	4,764	6,405	9,530	18,559	494	93	122	159

- Whilst the fourth quarter performance was strong, with a recurring EBITDA of Rs.18.56 billion, it should be noted that the reported EBITDA and profitability were negatively impacted by the one-off non-cash impairments within the quarter in the Transportation businesses and at 'Cinnamon Life Integrated Resort'.

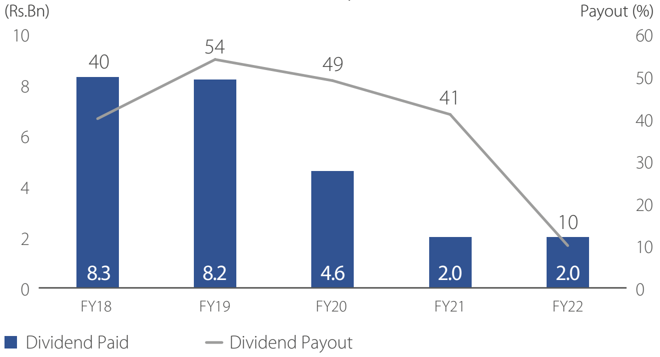
Investor Relations

Group Highlights

Distributions to Shareholders

- During the year under review, the Company paid two interim dividends of Rs.0.50 per share, each, in November 2021 and February 2022.
- Whilst the Group recorded a strong recovery momentum and growth in core operating profits, in addition to significant non-cash exchange gains for 2021/22, given the prevailing volatile and uncertain macroeconomic environment which could result in stress on operating performance, cashflows and the pipeline of strategic investments such as the WCT-1 project, the final dividend for 2021/22 was maintained at Rs.0.50 per share.
- The dividend declared for 2021/22 is Rs.1.50 per share [2020/21: Rs.2.00 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.

Distributions to Shareholders and Payout Ratio



Market Information of the Ordinary Shares of the Company

	2021/22	2020/21
Average daily turnover (Rs.million)	169	238
Percentage of total market turnover (%)	4	8
Market capitalisation (Rs.million)	200,813	195,970
Percentage of total market capitalisation (%)	5.2	6.3

Economic Value Added Statement

Direct Economic Value Generated
Rs.254,157mn
2020/21: Rs.144,898 mn

Economic Value Distributed
Rs.226,929mn
2020/21: Rs.134,939 mn

Economic Value Retained
Rs.27,228mn
2020/21: Rs.9,959 mn

Revenue
Rs.218,075 mn
2020/21: Rs.127,676 mn

Finance Income*
Rs.30,806 mn
2020/21: Rs.10,689 mn

Share of Results of Equity Accounted Investees
Rs.6,746 mn
2020/21: Rs.4,159 mn

Profit on Sale of Assets and Other Income
Rs.2,615 mn
2020/21: Rs.2,627 mn

Valuation Gain/(Loss) on Investment Property
Rs.(4,085) mn
2020/21: Rs.(253) mn

Operating Costs
Rs.195,677 mn
2020/21: Rs.109,977 mn

Employee Wages and Benefits
Rs.17,335 mn
2020/21: Rs.15,342 mn

Payments to Providers of Funds
Rs.9,280 mn
2020/21: Rs.6,419 mn

Payments To Government
Rs.4,478 mn
2020/21: Rs.3,066 mn

Community Investments
Rs.159 mn
2020/21: Rs.135 mn

Depreciation
Rs.5,015 mn
2020/21: Rs.4,726 mn

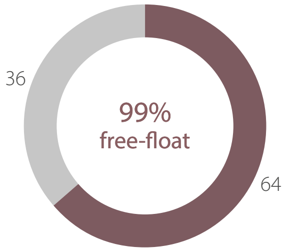
Amortisation
Rs.3,546 mn
2020/21: Rs.3,261 mn

Profit After Dividends
Rs.18,667 mn
2020/21: Rs.1,972 mn

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

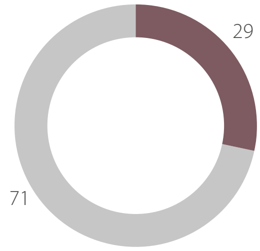
Governance

Shareholding Structure
(%)



● Domestic ● Foreign

Board Composition
(%)



● Executive Directors ● Independent Non-Executive Directors

Transparency in Corporate Reporting

JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the second consecutive year. JKH was the only entity to obtain a 100 per cent score for transparency in disclosure practices.

John Keells Holdings PLC was pronounced the Gold award winner for 'Overall Excellence in Annual Financial Reporting' at the 56th Annual Report Awards Ceremony 2021, organised by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

- The Group continued with its multi-pronged approach to internal audits and process reviews by augmenting its integrated fraud deterrent and investigation framework to foster synergy and collaboration efficiencies between components that deliver governance and assurance and related services, in facilitating business strategies.
- The Group continued to strengthen its Information Technology governance framework through the adoption of a Zero Trust Policy Framework.

Diversity, Equity and Inclusion

Key initiatives during the year:

- Women-centric training initiatives
- Childcare support
- Champions of change pledge
- Bi-lingual DE&I newsletter
- SanNap programme
- Launched the Group's diversity, equity and inclusion (DE&I) policy

Human Capital

Launch of Learning Management System 'BRIDGE'

Designed to deliver value through a transformative learning experience through which learning management systems across the Group are connected, promotes social and engagement-based learning

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

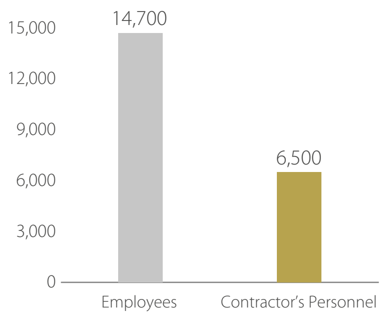
2021/22	2020/21
3.1	2.3

100%
Employees receive feedback on performance.

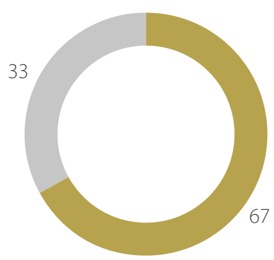
oneJKH

33% female participation as at 31 March 2022 against a goal of 40% by 2025/26.

Total Group Workforce
(Persons)



Employees by Gender
(%)



● Male ● Female

Training Hours

363,278 hours

2020/21: 315,547 hours 15%

Training Hours per Employees

24.7 hours

2020/21: 22.7 hours 9%

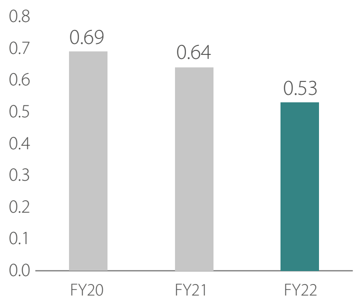
A one-off, uniform financial care package in the form of an ex-gratia payment was provided to all eligible Group employees in April 2022. This care package is intended to assist the John Keells family in bridging the gap in the costs of basic essential items, epitomising one of the core Values of the Group - Caring.

Investor Relations

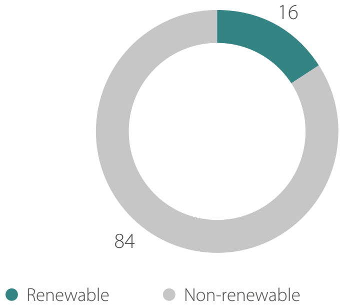
Group Highlights

Natural Capital

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



Energy Breakdown
(%)



Carbon Footprint

96,100 MT
2020/21: 82,009 MT
17%

Water Withdrawn

1,940,542 m^3
2020/21: 1,677,672 m^3
16%

Waste Generated

8,301 MT
2020/21: 6,763 MT
23%

Sustainability Goals for 2024/25

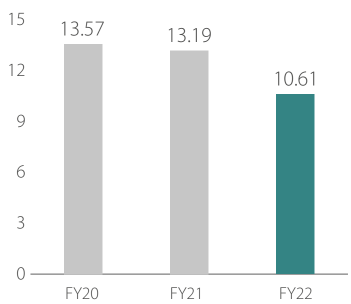
Performance during the year against the committed goals have been disclosed in this Report

plasticcycle

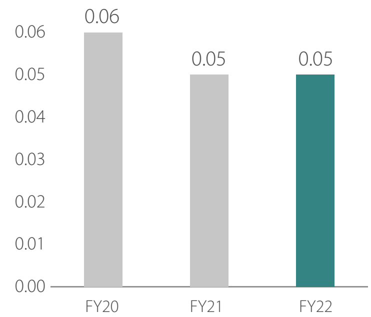
26.9 MT
of recyclable plastic waste collected island-wide

The Group is also working on strengthening its climate resiliency framework and policies and will work with partners such as the IFC and ADB, as relevant, to obtain the relevant expertise to benchmark our progress.

Water Withdrawal (m^3) per Rs.million of Revenue
(Rs.Mn)



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



Paper Conservation

Collected **15,632** kg
for recycling

Energy Saving

2,603 GJ
of energy saved through energy efficiency and other initiatives at business unit level

Intellectual Capital

Research and Development

JKR entered into its first Technology License agreement to commercialise JKR's proprietary SilmeticTM technology, which will be exclusively utilised to develop a range of antibacterial skin care products.

25
No. of start-ups under incubation at John KeellsX

OCTAVE

- Several 'use cases' in the Retail industry group and the Beverages business were successfully piloted, scaled and deployed.
- Initial assessment of the business impacts provides strong indication that the anticipated benefits that were evident through initial pilot projects can be sustained at scale.
- OCTAVE also commenced work on 'use cases' in the Frozen Confectionery and Beverage businesses and on 'use cases' in the Leisure industry group.

Awards

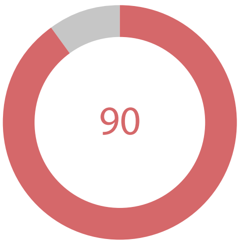
- The 'Beverage Brand of the Year' at the SLIM Kantar People's Choice Awards was awarded to 'Cream Soda' for the 16th consecutive year.
- 'Keells' supermarkets ranked as the 'Strongest Brand in Sri Lanka 2021' for the first time in its history and the 'Most Valuable Supermarket Brand 2021' by Brand Finance.
- Union Assurance was awarded the 'Most Innovative Digital Insurance Company and Digital Innovative Sri Lanka' at the International Business Magazine Awards 2021.

Social and Relationship Capital

Supplier Engagement'

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

Purchases from Suppliers within Sri Lanka
(%)



Economic Value Generated
Rs.**249,309**mn

Economic Value Distributed
Rs.**222,082**mn

Economic Value Distributed
Rs.**27,227**mn

100%
Businesses analysed for risk of corruption

Rs.**97**mn
CSR spend

1,955,639
Number of people impacted

CSR Focus Areas:

Education

Persons Benefited
2,005

Key Projects:
- Launch of the pilot of John Keells 'Praja Shakthi' Digital Learning Initiative to facilitate online learning of disadvantaged school children in Colombo 2 and Ranala
- English and IT scholarships awarded to disadvantaged school children
- Higher Education scholarships awarded to disadvantaged Advanced Level and university students
- Continuation of Skill into Progress (SKIP) programme to upskill selected suppliers of the Group in useful business skills.

Health

Persons Benefited
1,501,595

Key Projects:
- Public awareness campaigns to commemorate the International Day for the Elimination of Violence against Women, National Children's Day and International Day against Drug Abuse and Illicit Trafficking.
- Several internal and external awareness sessions on Gender Based Violence and Child Protection under Project WAVE.
- External awareness on substance abuse prevention for Government officials.

Livelihood Development

Persons Benefited
165,355

Key Projects:
Under 'John Keells Praja Shakthi' (JKF's business-centric community empowerment initiative):
- Execution of the Cooperation Agreement between JKH and International Finance Cooperation (IFC) for a Street Market Project in Colombo 2 (with a focus on low income communities/women's livelihoods) and site related negotiations with the Urban Development Authority.
- Continued upskilling and market access support for women-based enterprises engaged in batik craft (Hikkaduwa) and in producing paper products (Ranala), cognizant of the severe post-pandemic and socio-economic challenges in Sri Lanka.
- Launch of 'Praja Shakthi' in Ja-Ela and Habarana.

Environment

Land Area Impacted
59 Acres

Key Projects:
- Launch of the 'Cinnamon Rainforest Restoration' Project to restore a 59 Ha degraded plot in Sudawelipotha in proximity to the Sinharaja Forest Reserve and undertaking of site preparation and planting work in collaboration with Ruk Rakaganno and the Forestry Department.
- Reopening of the Nature Field Centre in Rumassala for educational programmes in October 2021 (post pandemic restrictions) and work in progress on an awareness and publicity video towards enabling the Centre to be self-sustainable.
- 224 persons benefited.

Arts and Culture

Persons Benefited
133,322

Key Projects:
- Two virtual events of Kala Pola (Art Fair) hosted in the lead up to Christmas (2021) and Sinhala and Tamil New Year (2022) as ongoing support for artists affected by the pandemic and socio-economic conditions in Sri Lanka.
- Continuation of primary sponsorships for the Museum of Modern and Contemporary Art and the Gratiaen Trust.
- Initiation of the restoration of the George Keyt Art Collection under JKH's patronage.

Disaster Relief

Persons Benefited
71,802

Key Projects:
- Support for COVID-19 front liners and Government hospitals through the donation of various medical equipment and consumables.
- Immediate relief and other support for pandemic and flood affected communities.

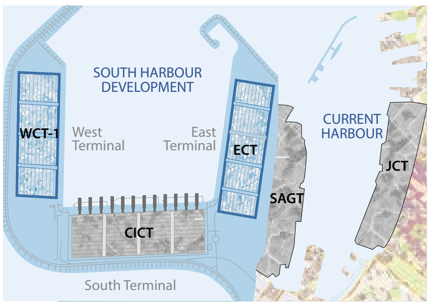
Investor Relations

Industry Group Highlights

Transportation

Industry Potential

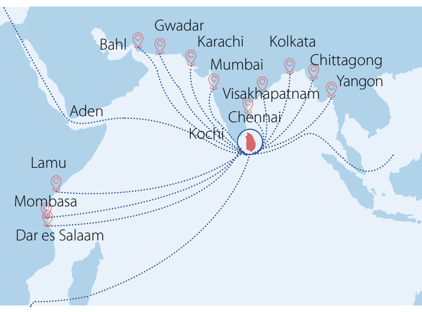
- Envisaged capacity enhancements in the POC and shipping lines opting for 'hub and spoke' services will spearhead the thrust to establish Colombo as a leading transshipment hub in the region.
- Expected increase in bunkering market share driven by increased storage and infrastructure.
- Growing demand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



Capacity enhancements in the POC - WCT-1 and ECT.

West Container Terminal (WCT-1)

- The conditions precedent stipulated in the build, operate and transfer (BOT) agreement, including work towards project design and costs and other structuring arrangements were met, and the site was handed over to the project company in February 2022 for construction.
- The project, which has a lease period for 35 years, was granted Strategic Development Project (SDP) status considering its strategic importance to the Port of Colombo and the country. The debt funding for the project was also secured during the year and financing documents were executed.



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

Our Business

- 42 per cent stake in SAGT – container terminal (capacity of ~2 million TEUs).
- Development of the WCT-1 (capacity of ~3.2 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 flight operations.

Key Performance Indicators

		2021/22	2020/21	%	2019/20
SAGT volumes	(TEU '000)	1,831	1,810	1	2,066
Transshipment: Domestic mix		86:14	87:13	-	81:19
Port of Colombo volumes	(TEU '000)	7,351	6,800	8	7,241
LMS volume growth	(%)	3	(22)	-	(7)
Warehouse space under management	(Sq. ft. '000)	337	337*	0	318

** Restated on account of the transfer of the Distribution Centre in Kerawalapitiya to the Group's Supermarket business during the year under review.*

Insight into Quarterly Performance

2021/22		Q1	Q2	Q3	Q4	Q3+Q4	Full Year
SAGT volumes	(TEU '000)	462	434	478	457	935	1,831
Port of Colombo volumes	(TEU '000)	1,826	1,794	1,881	1,850	3,731	7,351
LMS volume growth	(%)	1	16	(6)	2	(2)	3

Strategy and Outlook

Immediate to Short-Term

Ports, Shipping and Bunkering

- Largely insulated from the ongoing domestic macroeconomic circumstances, given that its revenue model is primarily driven by offshore markets and customers.
- Given the prioritisation of the Ports industry by the Government as an essential service, it is less likely that there will be significant disruptions of operations at the POC.

Logistics and Transportation

- Challenges in ensuring a seamless supply chain, especially given challenges in sourcing fuel for its distribution operations.
- Impact on the Airline businesses is envisaged to mirror the challenges and impacts of the Leisure 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.

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 and affordable main meal options.

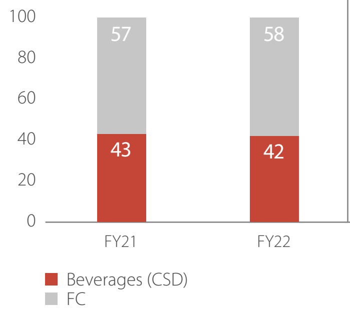
Our Business

- Strong market presence in Beverages, Frozen Confectionery and processed meats through 'Elephant House' and 'Keells-Krest' brands.
- Frozen Confectionery products including premium ice cream range 'Imorich' and the 'Feelgood' guilt-free frozen yoghurt range for customers seeking wellness and balanced lifestyles.
- A portfolio of CSD and non-CSD beverages catering to a wide array of customers and island-wide distribution network.

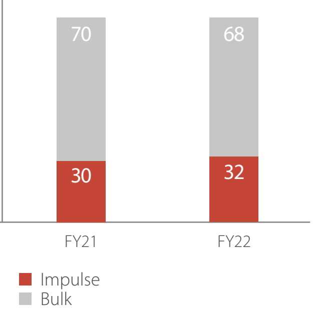
Key Performance Indicators

%	2021/22	2020/21	2019/20
Volume Growth			
Beverages (CSD)	18	(14)	7
Frozen Confectionery (FC)	17	(1)	3
Convenience Foods	12	(6)	0
EBITDA Margins			
Beverages and FC	16.8	20.3	21.2
Convenience Foods	16.1	19.0	13.5
PBT Margins			
Beverages and FC	11.2	14.2	14.7
Convenience Foods	11.3	12.3	8.1

Revenue Mix
Beverages (CSD):FC
(%)



Volume Mix
Impulse:Bulk

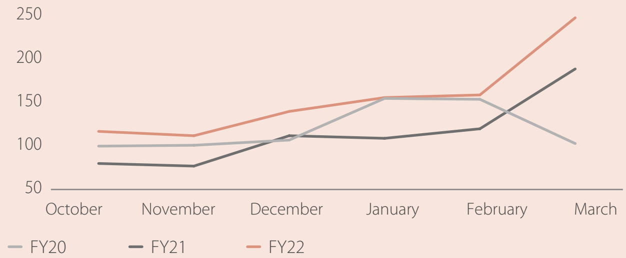


Insight into Quarterly Performance

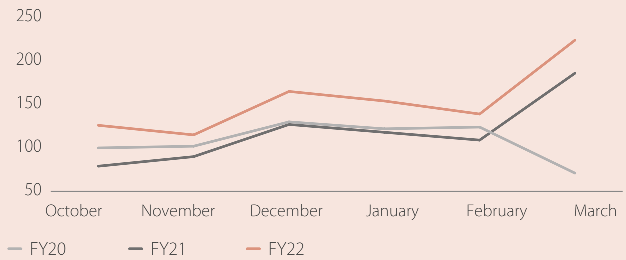
Volume Growth 2021/22 (%)	Q1	Q2	Q3	Q4	Q3+ Q4	Full Year
Frozen Confectionery	25	(12)	37	25	30	17
Bulk	24	(15)	34	18	25	13
Impulse	29	(5)	46	40	43	26
Beverages (CSD)	18	(14)	37	34	35	18
Convenience Foods	30	0	22	2	12	12

- The Consumer Foods industry group continued its strong recovery with all segments recording double-digit growth in sales volume.
- The volumes of all three businesses exceeded pre-pandemic levels, reaching the highest levels of sales in its history of operations in March 2022.

CSD Volumes
Index: October 2021



Frozen Confectonery Volumes
Index: October 2021



100,000+
Outlet reach

52
Ice cream flavours

15
CSD flavours

2
Frozen yoghurt flavours

~3,700
Total freezers and coolers deployed during the year

Industry Group Highlights

Strategy and Outlook

Immediate to Short-Term

- The challenging macroeconomic circumstances may result in a moderation in consumer discretionary spending and hamper the momentum of volume growth.
- Margins will be under pressure on the back of a notable increase in input costs, particularly prices of raw materials both domestically and globally.
- The prevailing foreign currency shortage may further exert pressure on supply chains and, unless the liquidity position and ability to establish trade facilities improve, there could be disruptions to manufacturing and seamless distribution of the product portfolio.
- 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 post the fiscal consolidation process.
- 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

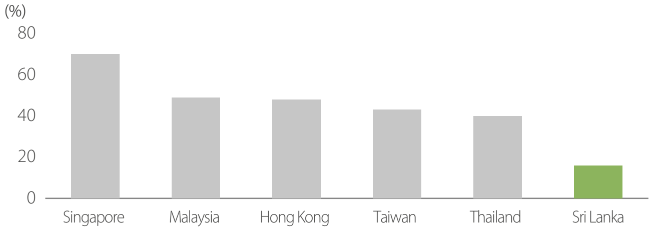
Supermarket Business

- 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 affordable prices.
  - Rising per capita income, rapid urbanisation and changing consumption patterns.

Office Automation Business

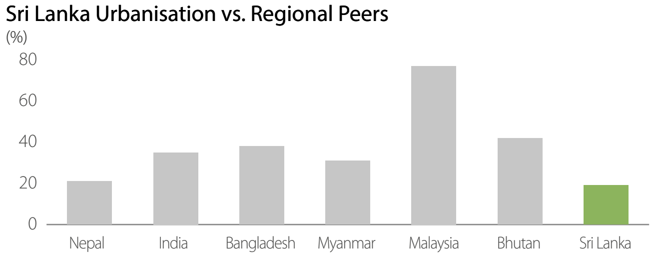
- Increased smartphone penetration in the country.
- Increased digital adoption within the country driven by smart mobile devices.

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 re-branding of 'Keells' – recognised as the 'Strongest Brand in Sri Lanka 2021' for the first time in its history and the 'Most Valuable Supermarket Brand 2021' by Brand Finance.
- 128 modern trade outlets uniquely branded to cater to evolving consumer lifestyles.
- Private-label consisting of ~340 SKUs.
- Operates 'Nexus mobile', one of the most successful loyalty programmes in the country with ~1.7 million active members.

Office Automation Business

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

Distribution Centre

- The state-of-the-art centralised distribution centre (DC) in Kerawalapitiya, constructed at a cost of Rs.4.30 billion, commenced operations in January 2022, centralising offerings across fresh, dry and chilled categories.
- The DC will be instrumental in streamlining the 'Keells' supply chain over ~250 outlets.

Key Performance Indicators

Supermarkets (%)	2021/22	2020/21	2019/20
Same store sales growth	12.9	(8.6)	4.0
Same store footfall growth	4.5	(31.5)	1.8
Average basket value growth	8.0	33.4	2.2
EBITDA margin	7.8	7.6	8.0
PBT margin	1.3	0.8	1.7

Office Automation (%)	2021/22	2020/21	2019/20
EBITDA margin	9.9	8.9	7.5
PBT margin	(3.5)*	9.1	5.1

**Impacted by exchange losses due to the steep depreciation of the Rupee.*

Insight into Quarterly Performance

2021/22 (%)	Q1	Q2	Q3	Q4	Q3+Q4	Full Year
Same store sales	39.3	(8.7)	9.5	18.9	14.2	12.9
Same store footfall	37.6	(37.2)	18.5	17.0	17.7	4.5
Average basket value	1.2	45.3	(7.6)	1.6	(3.0)	8.0

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

- With the easing of COVID-19 restrictions, consumer sentiment and 'pent up' demand led to an increase in footfall and same store sales during the second half of the year under review.
- The average basket value (ABV) is derived based on the weight of purchase (WOP) and the retail selling price (RSP). Given the inverse relationship between the WOP and inflation, the ABV witnessed a decline due to the rapid increase in food inflation towards the latter half of the year.

Strategy and Outlook

Immediate to Short-Term

Supermarket business

- Performance largely insulated, considering that essential and regular grocery, and household items constitute a large portion of a consumer basket.
- Conversion from general trade to modern trade expected to continue given the ability for the modern trade outlets to ensure less disruptions to its supply chains.
- Private-label range to increase its contribution given better choice and 'value for money' in the range.
- The new DC will augment the business given its ability to cater to its outlet expansion in the medium to long-term and translate into significant process and operational efficiencies .

Office Automation business

- Envisaged to undergo challenges in lieu of the current shortage of foreign exchange in the market, particularly given issues in establishing trade lines.

Medium to Long-Term

Supermarket business

- 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.
- DC 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 five activity pillars; product, price, place, people and the customer.

Office Automation business

- Underlying demand for office automation solutions and smart mobile phones to be driven by increasing commercial activity and an improvement in business sentiment, beyond the current economic crisis.
- Increased potential given the rapid urbanisation witnessed in the recent years.

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 Resorts segment continued its recovery momentum where occupancy and average room rates reached pre-pandemic levels.
- The Colombo Hotels and Sri Lankan Resorts segments recorded a significant turnaround, recording a positive EBITDA and PBT in the fourth quarter.

Investor Relations

Industry Group Highlights

3
Colombo Hotels

12
Resort Hotels
in Sri Lanka and the Maldives

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

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 2,566 rooms under management in both Sri Lanka and the Maldives.
- Land bank of 128 acres of freehold and 140 acres of leasehold land in key tourism locations.
- Leading inbound tour operator.

Pipeline of Hotels

Cinnamon Life Colombo

- Consists of an 800-room hotel,15 speciality restaurants,14 meeting facilities, along with many other hotel amenities, retail, and entertainment spaces, Operations to commence in a phased manner in mid-2023.

Cinnamon Red Kandy

- The hotel will feature 216 rooms with completion scheduled for first half 2023/24.

Key Performance Indicators

		2021/22	2020/21	2019/20
Colombo Hotels*				
Occupancy	(%)	29	3	34
ARR	(USD)	70	64	100
EBITDA margin	(%)	1.5	(84.8)	10.5
Sri Lankan Resorts				
Occupancy	(%)	32	16	62
ARR	(USD)	78	62	77
EBITDA margin	(%)	(7.2)	(140.6)	11.4
Maldivian Resorts				
Occupancy	(%)	75	27	56
ARR	(USD)	333	349	364
EBITDA margin	(%)	34.8	(8.4)	27.0

**Excludes 'Cinnamon Red Colombo'.*

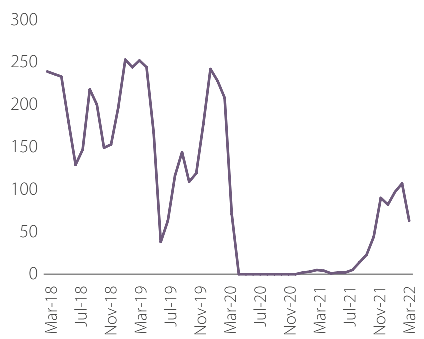
Insight into Quarterly Performance

2021/22		Q1	Q2	Q3	Q4	Q3+Q4	Full Year
Colombo Hotels*							
Occupancy	(%)	6	20	39	52	45	29
ARR	(USD)	61	54	71	77	74	70
EBITDA margin	(%)	(73)	(40)	11	23	18	2
Sri Lankan Resorts							
Occupancy	(%)	18	18	35	57	46	32
ARR	(USD)	50	38	82	93	85	78
EBITDA margin	(%)	(138)	(179)	(16)	38	20	(7)
Maldivian Resorts							
Occupancy	(%)	48	76	88	89	88	75
ARR	(USD)	259	262	344	423	384	333
EBITDA margin	(%)	3	25	37	49	44	35

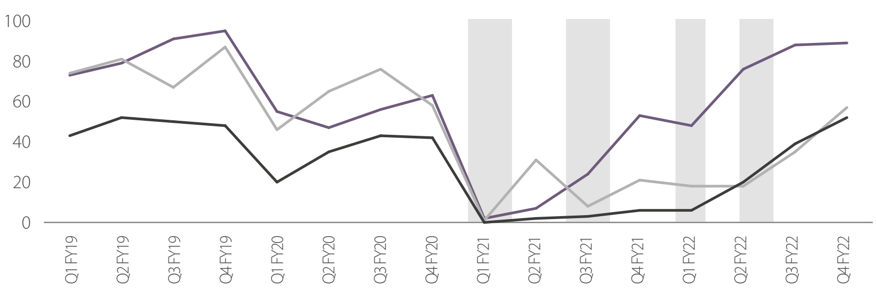
**Excludes 'Cinnamon Red Colombo'.*

- With the easing of restrictions, the Group's Sri Lankan Leisure businesses recorded a significant turnaround in performance on account of activity and consumer trends being near 'normal' since the onset of the pandemic in early CY2020. This was particularly evident from December 2021 driven by the notable resumption in tourism.
- The Maldivian tourism industry continued its strong recovery with occupancies and average room rates reaching pre-pandemic levels during the fourth quarter of the year under review, supported by arrivals from both traditional and new source markets.

Tourist Arrivals to Sri Lanka
Arrivals ('000)



Leisure - Occupancies
(%)



Colombo Hotels — Sri Lankan Resorts — Maldivian Resorts
Island-wide lockdown/intermittent isolation measures in Sri Lanka due to the COVID-19 pandemic

Strategy and Outlook

Immediate to Short-Term

- Tourism in Sri Lanka recorded a significant turnaround from December 2021 onwards. However, uncertainty and volatility on the macroeconomic stability and resultant social unrest, further exacerbated by the ongoing fuel and power crisis, may continue to pose challenges in attracting foreign arrivals.
- Given the ongoing discussions to strengthen Sri Lanka's fiscal position, tourist arrivals are expected to rebound after a few months if the necessary economic outcomes to address the shortage of essential items are achieved.
- The slowdown in arrivals are envisaged to be limited for a few months which are typically the low season months and recovery should take place well in time for the peak season which commences from around December onwards.

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 'Cinnamon Life Colombo' to its portfolio in first half of CY2023.
- 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

Our Business

- 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 Integrated Resort' comprising an 800-room hotel,15 speciality restaurants,14 meeting facilities, along with many other hotel amenities, retail, and entertainment spaces, in addition to two residential apartment towers and an office tower.
- Ongoing development of 'Tri-Zen', a 'Metropolitan' development based on smart living in the heart of the city.
- Ownership and operation of the 'Crescat Boulevard' mall and 'K-Zone' malls in Moratuwa and Ja-Ela.
- 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.

Cumulative Sales (units)	2021/22	2020/21	2019/20
The Residence	152	140	137
Suites	115	111	110
Commercial complex	4	4	4
Tri-Zen	659	342	262

Mall Occupancy (%)	2021/22	2020/21	2019/20
K-Zone Ja-Ela	82	82	87
K-Zone Moratuwa	99	90	98
Crescat Boulevard	61*	71	85

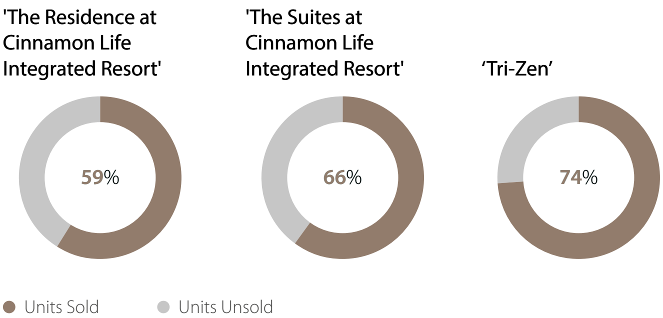
Occupancy as at 31 March 2022 was 69 per cent.

Key Highlights

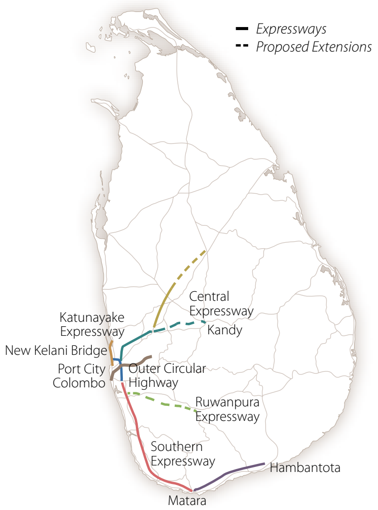
- Revenue on the 267 units sold with regard to the residential towers at the 'Cinnamon Life Integrated Resort', has been fully recognised during 2021/22, with a remaining inventory of 160 units to be sold.
- Structural work of all three towers at Tri-Zen was completed with a 'topping-off' ceremony was held in January 2022.
- All land plots in 'Peacock Valley' and 'Mara Ridge' were fully sold by the second quarter of 2021/22.
- In November 2021, the newly revamped 'Crescat Boulevard' was launched offering a revitalised, upmarket shopping and dining experience to consumers.

Industry Potential

- An urban population of 19 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.

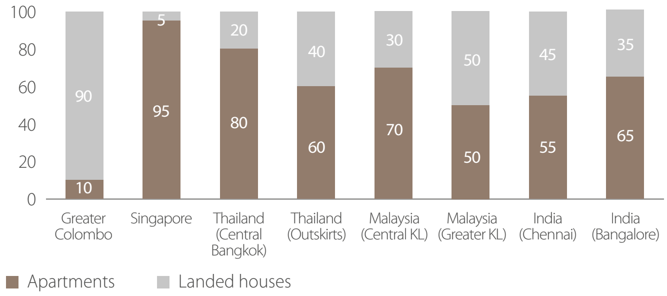


Industry Group Highlights



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.

Strategy and Outlook

Immediate to Short-Term

- Demand may witness an uptick on the back of increased investor interest in real estate as a long-term investment vehicle as a hedge against the inflationary environment.
- Considering the high inflationary environment and significant increase in the cost of construction, the pricing in any new development will also increase interest in the secondary markets, supported by the tapering of housing supply as the commencement of new projects is likely to slow down.
- Businesses are envisaged to face supply chain constraints and continued challenges in sourcing labour.

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

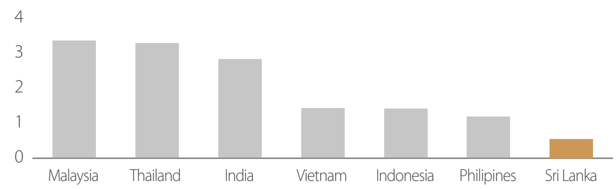
Life Insurance Industry

- Increased labour mobility 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.

11.2% 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.

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.

Banking Industry

- Industry loans and advances growth of 15 per cent in calendar year 2021.
- 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 3,927.
- Market share of 12 per cent.

Banking

- Branch network of 96 outlets, 99 ATMs and 64 CRMs.
- Strong online presence.
- Sri Lanka's first digital bank, 'FriMi'.
- Largest issuer of credit cards in Sri Lanka.

Insights - Nations Trust Bank PLC (NTB)

- An impairment provision of Rs.990 million was made on its portfolio of Sri Lanka Government securities denominated in foreign currency during the fourth quarter of 2021/22.
- NTB has a relatively low exposure given that this investment portfolio accounts for only 3.6 per cent of the Bank's assets as of 31 March 2022.

Key Performance Indicators

		CY2021	CY2020	CY2019
Life Insurance				
Premium growth	(%)	18	13	4
Market share	(%)	12	13	13
Life fund	(Rs.billion)	48.9	41.9	35.5
Capital adequacy ratio	(%)	228	31	362
Banking				
Growth in loans and advances	(%)	18	(7)	2
Return on equity	(%)	17.9	12.1	12.8
Net interest margin	(%)	3.9	4.1	4.9
Non-performing loan ratio	(%)	4.9	7.2	6.2
Capital adequacy ratio – total capital	(%)	17.5	18.3	18.0

Strategy and Outlook

Immediate to Short-Term

Life Insurance

- Disruptions in new business and collections due to a reduction in disposable income and moderation in consumer spending.
- 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

- 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 the back of increased stresses in cash flows of the borrowers.
- Continue to leverage on its digital platforms and channels, driven by 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

- 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 management (BPM) 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.
- BPM 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 six tea factories producing both CTC and orthodox tea. Manufacturer of low grown teas.
- Manufacturer of low grown teas.
- Potential reduction in oil prices and devaluation of currencies in major tea drinking nations may exert pressure on demand.

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 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.
- Focus on delivering innovative consultative solutions and services across the four value stacks of 'Strategy', '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

- The depreciation of the Rupee will augur well for the country in ensuring Ceylon tea remains competitive regionally and globally.
- Potential reduction in oil prices, continued impacts and disruptions from the Russia-Ukraine crisis and a devaluation of currencies in major tea drinking may exert pressure on demand.

Medium to Long-Term

- Explore opportunities to capitalise on demand for low grown tea from the 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.

INTEGRITY

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 favourably or unfavourably, impacted 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 in 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.

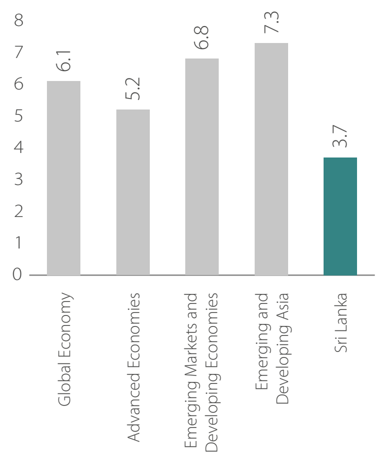
External Environment

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

Global economic growth is estimated at 6.1 per cent in CY2021 compared to a contraction of 3.1 per cent in CY2020, the fastest pace of growth since 1984. This growth was driven by a recovery in consumer sentiment and aggregate demand on the back of positive progress in COVID-19 vaccination drives, easing of restrictions on cross-border movement and accommodative monetary and fiscal policy stances. Whilst growth was more pronounced in the first half, the world economy recorded a slowdown in the growth momentum in the second half of CY2021 on the back of a resurgence of highly transmissible variants of the COVID-19 virus and supply side disruptions emanating from the pandemic.

CY2021 Economic Growth

(%)



Source: International Monetary Fund World Economic Outlook - April 2022, Central Bank of Sri Lanka.

The Sri Lankan economy rebounded in CY2021 recording a 3.7 per cent growth in GDP driven by a revival in economic activity and a gradual easing of pandemic related challenges, compared to the 3.6 per cent contraction recorded in CY2020. The successful vaccination drive, favourable weather conditions and accommodative policy stimuli contributed to a recovery in consumption and spending, although challenges on the external financing position and related foreign exchange liquidity challenges, together with inflationary stresses, exerted pressures on the economy, as detailed in the ensuing section.

General price levels, as demonstrated through headline and core inflation, remained largely stable in the first half of CY2021. However, price levels in the second half of CY2021 recorded a steep increase primarily driven by global and domestic supply side pressures, notable increases in global commodity prices and the impact of the lack of liquidity in the foreign exchange market which resulted in an inflationary impact on imported items. Whilst inflationary pressures were evident across the basket, this was most pronounced in the food category. Core inflation also accelerated reflecting the lagged effect of significant monetary accommodation that was in place together with a material impact on food inflation due to the Government's sudden shift to organic fertiliser which significantly affected yields of locally produced food items causing shortages and sharp price increases.

On the external financing front, Sri Lanka experienced heightened susceptibilities on the back of external debt service obligations, a widening trade deficit despite restrictions on imports, and a notable slowdown in workers' remittances, particularly towards the second half of the year under review, due to the exchange rate not being reflective of market rates due to being pegged. The increased demand for imports as a result of a normalisation of economic activity, higher importation of medical and pharmaceutical items such as vaccines, and relaxation of select restrictions on importation of non-essential goods coupled with higher global commodity prices, including fuel, were the primary contributors to the sharp increase in import expenditure. This resulted in a widened current account deficit. However, the impact was partially offset through earnings from merchandising exports which reached USD 12.5 billion in CY2021, the highest level of export earnings recorded. Earnings from tourism was moderate in CY2021, given the subdued arrivals to the country since health and travel restrictions were meaningfully eased only towards the latter part of the calendar year. The equities and Government securities market continued to witness net outflows during CY2021, similar to CY2020, whilst foreign direct investment (FDI) remained moderate.

On the external financing front, Sri Lanka experienced heightened susceptibilities on the back of external debt service obligations, a widening trade deficit despite restrictions on imports, and a notable slowdown in workers' remittances, particularly towards the second half of the year under review, due to the exchange rate not being reflective of market rates due to being pegged.

The financial account recorded a net outflow primarily in lieu of settlements of a USD 1.00 billion International Sovereign Bond (ISB) in July 2021 and a further USD 500 million payment in January 2022, as well as other debt service obligations and supply of foreign exchange to the domestic foreign exchange market to facilitate the importation of essential goods. Inflows received such as the Special Drawing Rights (SDR) allocation by the IMF, two foreign currency term financing facilities from the China Development Bank, and international currency swap agreements with the People's Bank of China (PBOC) and the Bangladesh Bank positively impacted the financial account. The pegged exchange rate came under significant pressure from March 2022 onwards as the gap between the market rates and the peg continued to widen whilst the reserves position of the Central Bank of Sri Lanka (CBSL) had fallen drastically. With the adoption of the flexible exchange rate regime by the CBSL in mid-March 2022, the currency witnessed a steep depreciation by 31 March 2022. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country, particularly towards the latter end of the year. This resulted in a series of measures such as the continuation of certain import controls and stipulations on foreign currency conversions and remittances. The lack of confidence in the market also resulted in a sharp reduction in foreign currency employment remittances which exacerbated the liquidity situation, as outlined previously.

The year under review was also characterised by multiple sovereign rating downgrades due to the worsening liquidity positioning, weakening fiscal outlook and limited access to foreign financial markets. The rating agencies also cited concerns on the significantly high debt level of the Government and the bunching of foreign debt obligations in the near to medium-term, when downgrading the sovereign rating of the country.

External Environment

Sri Lanka's total external debt increased marginally to USD 50.7 billion in CY2021 from USD 49.0 billion in CY2020. The central government debt, as a percentage of GDP, increased to 104.6 per cent in CY2021 [100.6 per cent CY2020].

The macroeconomic landscape since CY2021 has evolved with increased challenges on the fiscal and external fronts, particularly in sourcing much needed foreign exchange for the provision of essential goods, medicine and fuel.

With the aim of ensuring the sustainability of the country's external debt for restoring macroeconomic stability, the Government and the CBSL have identified the need for implementing urgent measures and economic reforms to address external sector vulnerabilities aimed at resolving persistent and long-standing issues in the economy. Technical discussions with the IMF are in progress and expectations are that a staff level agreement can be reached within a few months. The ability to showcase a roadmap and demonstrate the commitment to reach debt sustainability through reforms and negotiations is an important precursor to the IMF discussions.

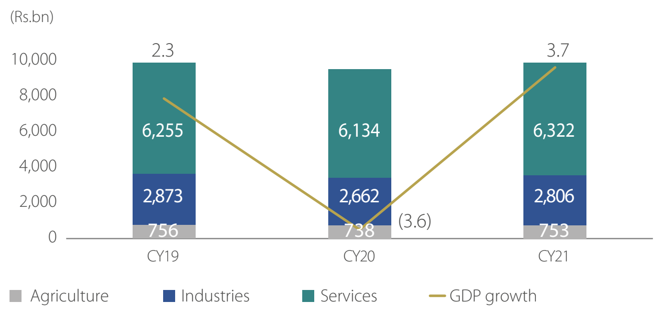
The political and social uncertainty in the country reached a peak on 9 May 2022 when the peaceful protests being held were disrupted causing retaliatory violence and uncertainty for a few days. The Prime Minister resigned on the same day which resulted in the Government being dissolved. At the time of writing this Report, the situation in the country is calm with some level of political stability with the appointment of a new Prime Minister. Further details on the situation as at the date of this Report can be found in the Chairman's Message.

Refer Outlook for further details - page 136

A more comprehensive discussion of the external environment relevant to the businesses is found in the Industry Group Review section - page 70

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.

GDP Growth



The Sri Lankan economy expanded by 3.7 per cent in CY2021 [CY2020: contraction of 3.6 per cent].

Cause

The growth in the overall economy was driven by a growth across all three sectors. Agricultural and Industrial sectors recorded a growth of 2 per cent [CY2020: contraction of 2 per cent] and 5.3 per cent [CY2020: contraction of 6.9 per cent]. Services sector also recorded a growth of 3 per cent [CY2020: contraction of 1.6 per cent].

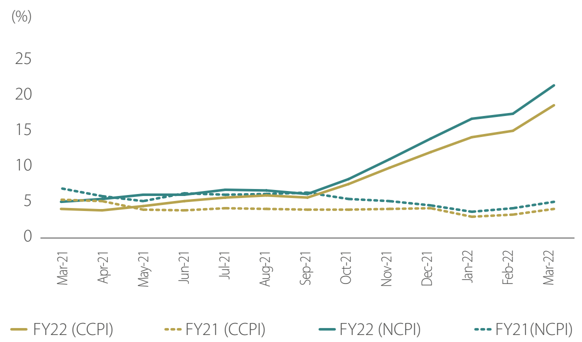
Consumption expenditure recorded a significant growth of 9.9 per cent at in CY2021 [CY2020: 2 per cent]. This growth was predominantly driven by household consumption expenditure, which grew by 10.8 per cent in CY2021 [CY2020: 1 per cent]. Government consumption expenditure at current prices grew at a relatively modest pace of 3.7 per cent in CY2021 [CY2020: 9.9 per cent].

Impact to JKH

The Group witnessed a strong recovery momentum during the year with the performance of the businesses reaching pre COVID-19 levels with business activity and consumer trends being 'near normal'.

This positive momentum resulted in all sectors within the Group recording a strong growth in profits. The Group's Leisure businesses, in particular, recorded a significant turnaround in performance on account of the resumption in operations in Sri Lanka.

Inflation



Year-on-year headline inflation, based on the NCPI, was 21.5 per cent in March 2022 [March 2021: 5.1 per cent].

Cause

Whilst inflation was contained to single digits within the first half of the year, inflation recorded a steep increase in the second half.

Accordingly, year-on-year headline inflation, as measured by NCPI was recorded at 14 per cent for CY2021 [CY2020: 4.6 per cent] and 21.5 per cent for March 2022.

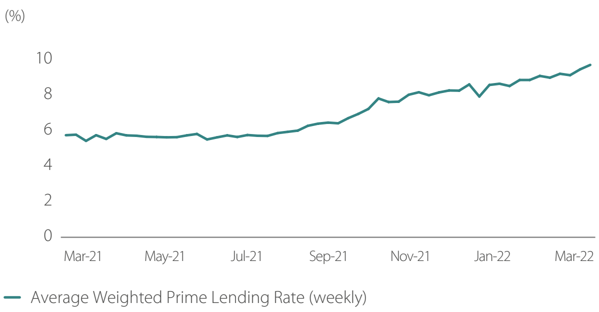
Year-on-year core inflation, based on NCPI, which measures the underlying inflationary pressure of the economy increased to 17.3 per cent in March 2022, from 4.3 per cent in March 2021.

The food category in particular, witnessed severe inflationary pressures.

Impact to JKH

Inflationary pressures were evident across the Group, exerting pressure on margins, mainly towards the latter end of the year. Such impacts were significant in the Consumer Foods industry group, where increases in prices of raw material and other commodities impacted margins of the industry group.

Domestic Interest Rates



AWPLR increased to 9.71 per cent in March 2022 from 5.75 per cent in March 2021.

The 3-month treasury bill rate was 12.01 per cent in March 2022 compared to 5.04 per cent in the corresponding period.

Cause

In response to the significant inflationary pressures and the imbalances that emerged in the external sector and financial markets, the CBSL, which deployed unprecedented monetary stimulus measures since 2020, gradually commenced monetary tightening measures from mid-August 2021 onwards.

Accordingly, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were raised twice by a total of 200 basis points each with the rates at 6.5 per cent and 7.5 per cent as at March 2022, respectively.

In early April 2022, the CBSL raised the SDFR and SLFR significantly by 700 basis points, each, to 13.50 per cent and 14.50 per cent, respectively, on the back of severe inflationary pressures, domestic supply disruptions and foreign exchange challenges.

The Statutory Reserve Ratio (SRR) was also raised by 200 basis points to 4 per cent in September 2021.

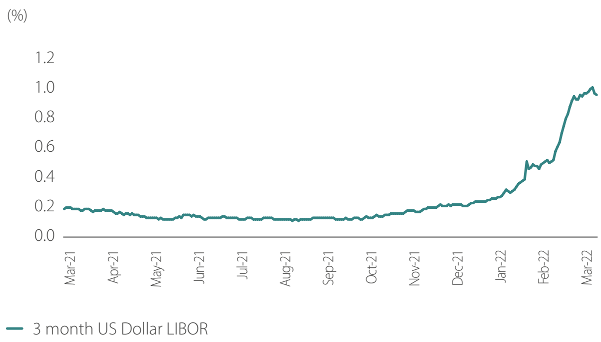
Impact to JKH

The Group, excluding its Insurance business, 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 under the Financial and Manufactured Capital section of the Capital Management Review.

The Group proactively managed the risk of increasing interest rates and made conscious efforts by re-balancing its portfolio of borrowings and moved a sizeable portion of the Sri Lankan Rupee (LKR) borrowings on a long-term basis. Further, where relevant and possible, a majority of the LKR long-term facilities were converted to a fixed rate basis over the tenor of the loan.

The Group's finance expense increased primarily on account of a significant increase in overall debt to fund its investment pipeline, which is in line with the funding strategy of the Group.

Global Interest Rates



3-month USD LIBOR increased to 0.96 per cent in March 2022, from 0.19 per cent in March 2021.

Cause

The Federal Reserve Open Market Committee (FOMC) maintained the federal funds rate within a target range of 0-0.25 per cent during the year under review, with the aim of stimulating economic recovery.

Although no policy actions were taken during the year under review, the FOMC commenced signalling a more hawkish outlook for interest rates for the ensuing year from late-CY2021 onwards which was reflected in market rates towards the latter end of the year under review.

Impact to JKH

The Group's USD cash holdings increased as a result of the first phase of the private placement of ordinary shares amounting to the LKR equivalent of USD 50 million to the Asian Development Bank (ADB).

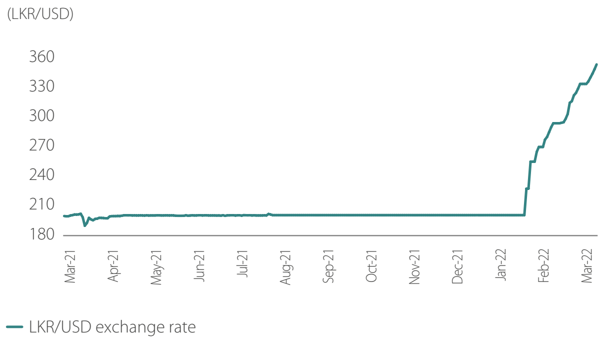
In respect of the Group's foreign currency borrowing portfolio, interest rate swap agreements are in place for a sizeable portion of the facilities in order to mitigate the Group's exposure to rate fluctuations.

In response to the significant inflationary pressures and the imbalances that emerged in the external sector and financial markets, the Central Bank of Sri Lanka, which deployed unprecedented monetary stimulus measures since 2020, gradually commenced monetary tightening measures from mid August 2021.

The Group proactively managed the risk of increasing interest rates and made conscious efforts by re-balancing its portfolio of borrowings and moved a sizeable portion of the Sri Lankan Rupee (LKR) borrowings on a long-term basis.

External Environment

Exchange Rates



Based on the mid exchange rate published by CBSL, LKR depreciated by 47 per cent to Rs.293.87 against the USD as at 31 March 2022, compared to its closing rate of Rs.199.83 per USD as at 31 March 2021.

Cause

The LKR/USD exchange rate recorded only a 7 per cent depreciation in CY2021, mainly due to the fixed exchange rate regime. The exchange rate depreciated by a further 33 per cent in March 2022 once the CBSL allowed a more flexible market driven rate from early March 2022 onwards.

The LKR has continued to witness significant pressure due to lack of confidence and an acute shortage of liquidity in the market. The LKR/USD exchange rate has fallen to ~Rs.360.00 as at the date of this Report, which amounts to an ~80 per cent fall in the value of the currency.

Impact to JKH

The depreciation of the Rupee had a positive impact on businesses having Dollar Denominated income streams, particularly in the Leisure industry group and the Ports and Shipping business.

The Holding Company has foreign currency cash holdings earmarked for equity infusions to the 'Cinnamon Life Integrated Resort' project and funds raised for the Group's investment pipeline via the IFC long-term loan facility and the private placement of ordinary shares to ADB. As a result, the Holding Company recorded foreign exchange gains on its net USD cash holdings.

The Consumer Foods and the Office Automation businesses took proactive steps to mitigate exchange rate risks, where possible. However, the Office Automation business faced significant pressure on account of the sharp depreciation impact on pending settlements due to the deferred trade payments as stipulated by the CBSL.

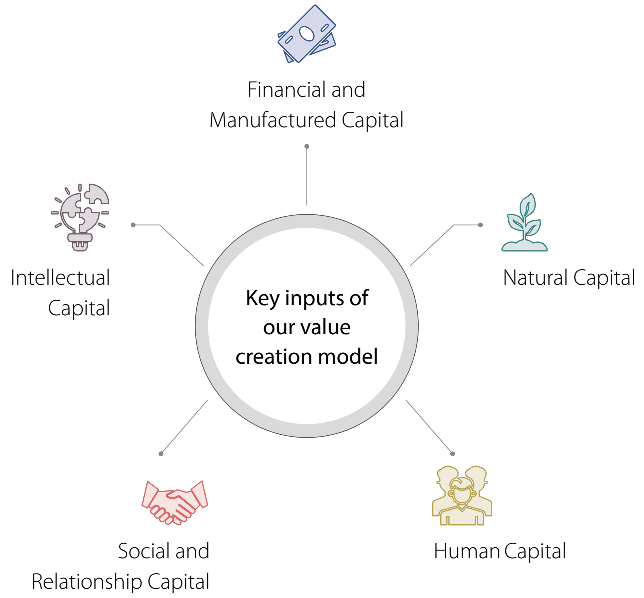
The Group adopted prudent measures, as and when required, to manage the impacts arising from the liquidity constraints and currency depreciation by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged 'naturally' as a result of the conscious strategy of maintaining USD cash balances at the Holding Company whilst also ensuring obligations can be managed through USD denominated revenue streams. The Group navigated the liquidity challenges through matching its obligations with foreign currency inflows to the extent possible.

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 and 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

The Group witnessed a strong recovery during the year under review with the performance of most businesses reaching pre-COVID-19 levels with business activity and consumer trends being near 'normal' since the onset of the pandemic in early 2020. This positive momentum resulted in most businesses within the Group recording a strong growth in profits. The Group's Leisure businesses, in particular, recorded a significant turnaround in performance on account of the resumption in operations in Sri Lanka and the continued recovery in the Maldives.

Whilst the following discussion provides a holistic view on the Group's performance and key drivers during the year under review, where relevant, insight will be provided on the Group's underlying performance excluding one-off impacts through a discussion of a recurring performance analysis, as morefully detailed in the ensuing section.

Refer the Industry Group Reviews for a detailed analysis for the performance of each industry group - page 70

Group Revenue

Rs.**218.07**bn

2020/21: Rs.127.68 bn — 71%

Group Revenue incl. Equity Accounted Investees

Rs.**244.36**bn

2020/21: Rs.145.45 bn — 68%

Group EBITDA

Rs.**29.26**bn

2020/21: Rs.15.61 bn — 87%

Recurring Group EBITDA

Rs.**39.26**bn

2020/21: Rs.15.57 bn — 152%

Revenue

Group revenue recorded a 71 per cent increase to Rs.218.07 billion during the year under review [2020/21: Rs.127.68 billion]. The increase primarily stemmed from;

- The Property industry group, on account of revenue recognition from the handover of units in the residential towers and the sold and leased commercial office spaces at the 'Cinnamon Life Integrated Resort'.
- The Retail industry group, driven by both the Supermarket and Office Automation businesses on the back of a notable recovery in same store sales and domestic consumption.
- The Transportation industry group, mainly due to notable growth in the Bunkering business aided by increases in base oil prices for bunker fuel and customer acquisitions.

Revenue emanating from domestic sources was Rs.171.96 billion [2020/21: Rs.110.07 billion].

Group revenue, inclusive of equity accounted investees, increased by 68 per cent to Rs.244.36 billion [2020/21: Rs.145.45 billion].

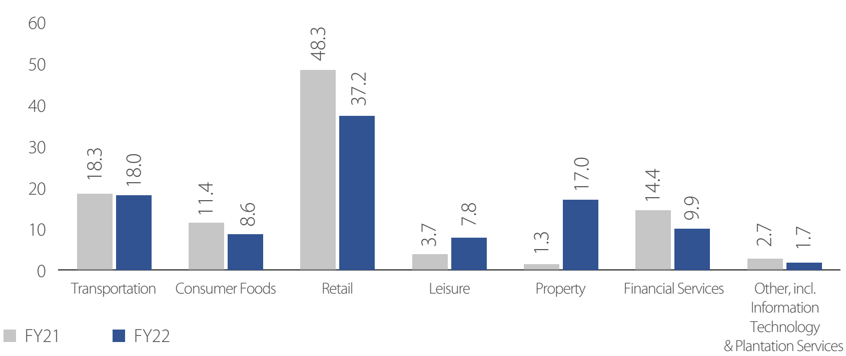
Revenue from equity accounted investees at Rs.26.28 billion was an increase of 48 per cent against the Rs.17.77 billion recorded in 2020/21. The increase primarily stemmed from revenue recognition of the 'Tri-Zen' residential project, improved performance at South Asia Gateway Terminal (SAGT) and Nations Trust Bank (NTB).

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

Revenue incl. Equity Accounted Investees (Rs.million)	2021/22	2020/21	%
Transportation	43,877	26,584	65
Consumer Foods	21,008	16,510	27
Retail	90,842	70,229	29
Leisure	18,962	5,374	253
Property	41,476	1,910	2,072
Financial Services	24,149	20,890	16
Other, incl. Information Technology & Plantation Services	4,041	3,949	2
Group	244,356	145,446	68

For an industry-group wise analysis of performance, refer the Industry Group Reviews - page 70

Composition of Revenue incl. Equity Accounted Investees
(%)



Capital Management Review

Financial and Manufactured Capital

Recurring Adjustments

To depict the underlying performance of the Group during the year, the recurring performance analysis entails the following adjustments:

- Removal of impacts of fair value gains on investment property (IP):

  This excludes IP gains at the Property industry group 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. IP gains pertaining to industry groups other than Property have been adjusted at a Group level. However, refer Note 3 below.

  On this basis, IP gains pertaining to all industry groups other than Property stood at Rs.203 million [2020/21: Rs.38 million].

- Other one-offs/adjustments specific for 2021/22:

Adjustments for 2021/22, as already captured in reported results (Rs.billion)		Group	Holding Company
Net exchange gains	Note 1	12.89	18.63
One-off impacts in the Transportation companies	Note 2	(5.30)	(0.51)
Fair value loss on investment property (IP) at WPL	Note 3	(4.90)	N/A
One-off deferred tax charge at JKH	Note 4	(3.21)	(3.21)

- Note 1 – Given the steep depreciation of the LKR/USD exchange rate witnessed towards the latter end of the year under review, where the LKR recorded a decline of 52 per cent during 2021/22 to Rs.305.00 as at 31 March 2022, the impacts of all foreign exchange gains/losses for the year under review have been eliminated in arriving at the recurring performance.

  The net foreign exchange gain is primarily as a result of a foreign exchange gain on the Holding Company's net USD denominated cash holdings. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown of the long-term loan facility from the International Finance Corporation (IFC) and the private placement of ordinary shares to the Asian Development Bank (ADB).

  The related impacts of exchange gains and losses in 2020/21 have been adjusted for comparative purposes. Accordingly, at a Group level, Rs.12.89 billion of net exchange gains have been adjusted [2020/21: net exchange gains of Rs.1.91 billion] whilst at the Holding Company, this is at Rs.18.63 billion [2020/21: net exchange gains of Rs.1.64 billion].

- Note 2 – The one-off impacts at the following Transportation companies have been excluded: South Asia Gateway Terminal (SAGT), Lanka Marine Services (LMS) and Saffron Aviation (Private) Limited (SAL).

  i. Given the impending end of the concession on the 30-year build, operate and transfer (BOT) agreement of SAGT in 2029, an impairment of goodwill arising from the difference of the original investment and carrying value of the investment was recognised in 2021/22.

  ii. A general provision for taxes was made at LMS, as a measure of prudence, in line with the higher operational activity and the current tax positions which are being appealed.

  iii. Given the multiple setbacks faced in the recent years from the Easter Sunday attacks in CY2019, the subsequent pandemic driven impacts on tourism, and operating conditions thereafter, an impairment loss is recognised at SAL, the operating company of 'Cinnamon Air', reflecting current operating conditions.

- Note 3 – Given current market conditions and uncertainty, the steep depreciation of the Rupee and the outlook on USD linked rental for commercial space, as a prudential measure, Waterfront Properties (Private) Limited (WPL) re-assessed the fair value of the office spaces at the 'Cinnamon Life Integrated Resort', and accordingly recognised an impairment loss of Rs.4.90 billion on its investment property (IP). In keeping with the functional reporting currency of WPL, the IP value of the property is recognised in US Dollars. The prudential provisioning is on the basis of having flexibility in structuring commercial arrangements in line with market conditions. This impairment is included under the Property industry group.

- Note 4 – The foreign currency exchange gain at the Holding Company for the year under review, as detailed under Note 1 above, will be taxed only upon realisation as per the current tax regulations. As such, a deferred tax provision amounting to Rs.3.21 billion was recognised in 2021/22.

Industry Group-Wise Quarterly Performance

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 impacted in Q1 due to the rapid outbreak of a third wave of COVID-19 cases in the country from late April 2021 onwards due to the imposition of island-wide travel restrictions and other health and safety measures implemented from mid-May to mid-June, although impacts to the Group's businesses were less pronounced compared to the preceding year, given better insights on consumer behaviour and better business preparedness. It is noted that the comparative performance of 2020/21 entailed an island-wide lockdown for a similar length of time.
- With the rapid outbreak of a fourth wave of COVID-19 cases in Q2, mainly as a result of the highly transmissible Delta variant, the Government imposed an island-wide quarantine curfew from mid-August till end September to contain the spread of the virus. The resultant curtailing of movement caused a slowdown in business activity and dampened consumer sentiment, exerting pressure on Group performance during Q2, particularly during the month of September.
- The subsequent gradual easing of restrictions from Q3 onwards enabled the businesses across the Group to recover to near 'normal' levels by end of Q3. The Group witnessed a strong recovery momentum during Q3 with the performance of Group businesses reaching close to pre COVID-19 levels. The Leisure business, in particular, recorded a significant turnaround in performance.
- The recovery momentum continued during Q4, with Group businesses witnessing a significant recovery and a strong growth in overall performance, particularly on the back of improved consumer sentiment despite the challenging macroeconomic landscape, including rising inflation levels, constraints in sourcing raw materials, challenges in foreign exchange markets, and fuel and power shortages, amongst others.
- While there were pandemic related disruptions in the first half, the table illustrates the quarter-on-quarter improvement in performance, barring seasonality, in each of the businesses. This is further reinforced by the year-on-year growth percentage of each of the businesses

Group Revenue	**Rs.million**				**YoY %**			
2021/22	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	5,412	7,763	7,602	11,111	88	104	46	101
Consumer Foods	3,691	4,580	5,433	7,303	28	(4)	50	40
Retail	20,163	20,855	26,043	23,781	64	20	31	15
Leisure	1,933	3,089	5,586	8,271	1,159	165	309	210
Property	3,585	8,071	3,486	20,590	5,190	7,175	2,085	7,420
Financial Services	3,022	3,906	4,846	3,911	32	3	18	15
Other incl. Information Technology & Plantation Services	992	1,005	882	1,161	6	(5)	(5)	13
Group	38,799	49,269	53,878	76,129	80	53	53	96

Recurring Group EBITDA	**Rs.million**				**YoY %**			
2021/22	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	1,023	1,201	1,396	2,521	159	29	50	86
Consumer Foods	318	600	1,004	1,563	(35)	(37)	66	22
Retail	1,563	1,328	2,275	2,384	211	(3)	34	22
Leisure	(649)	(46)	1,234	3,247	56	96	222	4,709
Property	542	1,261	707	5,356	1,978	10,290	5,037	52,732
Financial Services	770	982	2,111	1,161	43	51	62	0
Other incl. Information Technology & Plantation Services	1,197	1,079	803	2,329	222	78	7	72
Group	4,764	6,405	9,530	18,559	494	93	122	159

Capital Management Review

Financial and Manufactured Capital

Earnings Before Interest Expense, Tax, Depreciation and Amortisation

Group earnings before interest expense, tax, depreciation and amortisation (EBITDA) increased by 87 per cent to Rs.29.26 billion during the year under review [2020/21: Rs.15.61 billion] mainly on account of Leisure, Property, Other, including Information Technology and Plantation Services and Retail industry groups, demonstrating the strong recovery of the businesses and the generation of cash profits by the Group.

Definition: 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 all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.

Group EBITDA Reconciliation (Rs.million)	2021/22	2020/21
Group revenue excl. equity accounted investees	218,075	127,676
(-) Cost of sales	180,430	108,747
(+) Other operating income	2,615	2,627
(-) Selling and distribution expenses	5,733	4,761
(-) Administration expenses	14,763	12,928
(-) Other operating expenses	7,608	1,314
(+) Finance income	30,806	10,689
(+/-) Change in insurance contract liabilities	(6,416)	(7,032)
(+/-) Change in fair value of investment property	(4,085)	(253)
(+) Share of results of equity accounted investees	1,898	4,159
(+) Depreciation and amortisation	8,560	7,986
(-) Exchange gain	(12,889)	(1,910)
	30,030	16,191
(-) Adjustments relating to policyholders at UA*	768	582
Group EBITDA	29,262	15,609

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

Composition of EBITDA

(%)

In terms of the composition of EBITDA, Retail was the primary contributor with a 26 per cent contribution, followed by Other, including Information Technology and Plantation Services and Financial Services with a contribution of 19 per cent and 17 per cent, respectively.

Since Group EBITDA is affected by one-off impacts, the ensuing section discusses EBITDA on a recurring basis, excluding the one-off impacts.

Fair Value Gains/Losses on Investment Property

Fair value impacts on investment property (IP) were recorded at a loss of Rs.4.08 billion in 2021/22 [2020/21: loss of Rs.253 million], primarily owing to an impairment loss on IP at Waterfront Properties (Private) Limited (WPL). Property (excluding WPL), Leisure, Other, including Information Technology and Plantation Services, and Consumer Foods industry groups recorded IP gains of Rs.614 million, Rs.105 million, Rs.81 million and Rs.17 million, respectively.

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.

For the recurring performance analysis, EBITDA is adjusted for the one-off impacts in the Transportation companies, the impairment loss on investment property (IP) at WPL and fair value gains and losses on IP, other than at the Property industry group.

On this basis, the recurring EBITDA for the year under review recorded a significant increase of 152 per cent to Rs.39.26 billion, compared to Rs.15.57 billion recorded in the previous year. While exchange gains and losses are excluded in the recurring EBITDA analysis, it should be noted that the Office Automation business recorded exchange losses on account of the significant depreciation of the LKR impacting its outstanding trade payables. The business also recorded exchange gains prior to the steep depreciation of the LKR. The recurring EBITDA breakdown for each of the industry groups are given in the ensuing section.

Group PBT

Rs.**27.32**bn

2020/21: Rs.5.45 bn — 402%

Recurring Group PBT

Rs.**24.43**bn

2020/21: Rs.3.50 bn — 599%

Group PAT

Rs.**20.44**bn

2020/21: Rs.3.95 bn — 417%

Recurring Group PAT

Rs.**20.76**bn

2020/21: Rs.2.00 bn — 936%

Rs.million	2021/22 Reported EBITDA +	Recurring Adjustments IP (gains) /losses +	One-off adjustments =	2021/22 Recurring EBITDA	2020/21 Recurring EBITDA	%
Transportation	843	-	5,298*	6,141	3,610	70
Consumer Foods	3,502	(17)	-	3,485	3,318	5
Retail	7,549	-	-	7,549	5,523	37
Leisure	3,890	(105)	-	3,785	(3,588)	205
Property	2,965	-	4,902**	7,867	(17)	45,451
Financial Services	5,024	-	-	5,024	3,645	38
Other, incl. Information Technology & Plantation Services	5,489	(81)	-	5,408	3,082	75
Total	29,262	(203)	10,200**	39,259	15,572	152

** One-off impacts at SAGT, LMS and SAL, as detailed in page 42.*
*** Impairment loss on investment property (IP) at WPL.*

For a detailed industry-group wise analysis refer the Industry Group Reviews - page 70

Recurring EBITDA Margins (%)	2021/22	2020/21
Transportation	14.0	13.6
Consumer Foods	16.6	20.1
Retail	8.3	7.9
Leisure	20.0	(66.8)
Property	19.0	(0.9)
Financial Services	20.8	17.4
Other, incl. Information Technology & Plantation Services	133.8	78.0
Group	16.1	10.7

Depreciation and Amortisation

The depreciation and amortisation expense for the year stood at Rs.8.56 billion, an increase of 7 per cent against the depreciation for 2020/21 at Rs.7.99 billion. It is noted that 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 5 new outlets and the acquisition of leasehold land and capitalisation costs pertaining to the advanced data analytics transformation programme; and
- the Maldivian Resorts segment, primarily on account of the translation impact stemming from the amortisation of leases across the Maldivian Resorts given its US Dollar denomination.

Finance Income

Group finance income stood at Rs.30.81 billion during the year under review, an increase of 188 per cent [2020/21: Rs.10.69 billion], the composition of which is given in the table below.

Finance Income (Rs.million)	2021/22	2020/21
Interest income from life insurance policy holder funds at UA	5,333	5,020
Interest income of Group excluding UA	6,421	3,596
Other finance income	19,052	2,073
Total	30,806	10,689

- Interest income associated with UA of Rs.5.33 billion [2020/21: Rs.5.02 billion], net of related costs, is classified under operating segment results on the basis that the interest income from life insurance funds is considered as operational income.
- The interest income of the Group, excluding UA, increased to Rs.6.42 billion [2020/21: Rs.3.60 billion]. The increase in interest income is owing to higher cash and cash equivalents at the Holding Company on account of the entire USD 175 million term loan facility from the IFC being available throughout the current financial year as opposed to approximately 6-9 months of the previous financial year. Whilst this reflects an increase in interest income on a 'gross' basis, the related interest expense is recorded under finance expense and therefore does not have a material 'net' impact.
- The increase in other finance income to Rs.19.05 billion is primarily attributable to the increase in the exchange rate gains to Rs.18.63 billion compared to Rs.1.64 billion in the preceding year, mainly on account of the exchange rate impact on the Holding Company's net foreign currency denominated cash holdings. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the IFC term loan facility and the private placement of ordinary shares to ADB.

Further details on finance income can be found in the Notes to the Financial Statements section of this Report - page 244

Finance Expense

The finance expense, which includes interest expense of the Group, increased by 51 per cent to Rs.7.03 billion, compared to Rs.4.67 billion recorded in 2020/21. The increase in the total debt level of the Group including lease liabilities, by Rs.95.32 billion to Rs.268.23 billion [2020/21: Rs.172.90 billion] primarily contributed to the increase in finance expenses.

Capital Management Review

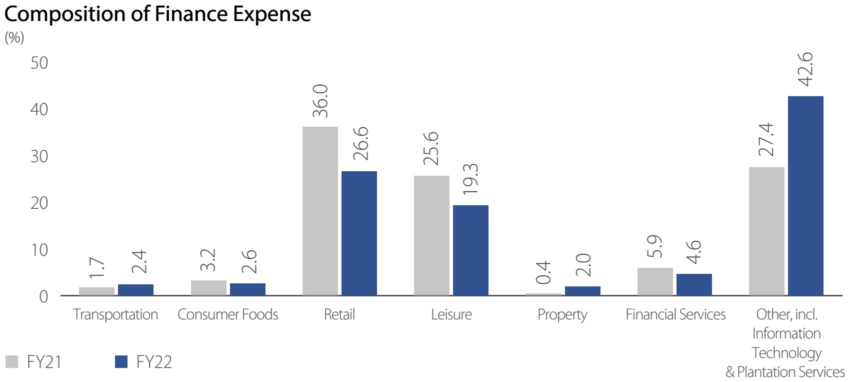
Financial and Manufactured Capital

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

- Holding Company – on account of (1) an increase in Rupee borrowing costs in line with the planned funding strategy of the Group as at this juncture and, to a lesser extent, (2) the long-term loan facility of USD 175 million obtained from IFC and the inherent translation impact due to the steep depreciation in the exchange rate during the latter end of the year under review. However, as noted, this reflects the interest cost on a 'gross' basis as the related interest income is recorded under finance income and therefore did not have a material 'net' impact at this point in time.
- Supermarket businesses – in lieu of the facilities obtained for the funding of the roll-out of new outlets and the distribution centre.
- Leisure industry group – due to the multiple working capital facilities obtained across the businesses to better navigate through the challenges stemming from the impact of closures and lower operational activity due to the COVID-19 pandemic in the recent years.

In terms of composition, the largest contributor to finance expense was Other, including Information Technology and Plantation Services, accounting for 43 per cent of total finance expense, followed by Retail (27 per cent) and Leisure (19 per cent).

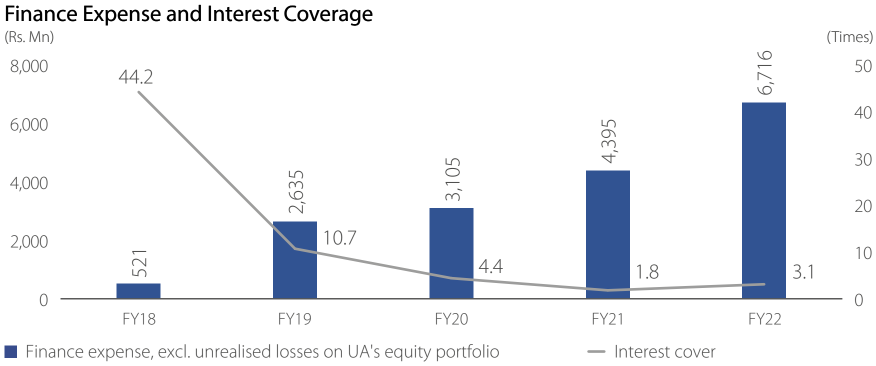
Composition of Finance Expense



Finance expense incurred under the syndicated project development facility of 'Cinnamon Life Integrated Resort' is capitalised as work-in-progress, in accordance with the Group's 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 3.1 times in comparison to 1.8 times in 2020/21. The movement in the interest coverage stems primarily from the 167 per cent increase in EBIT as against a 51 per cent increase in finance expense, as outlined in the previous section.

Finance Expense and Interest Coverage



Profit Before Tax

The Group profit before taxation (PBT) stood at Rs.27.32 billion for the year under review, an increase of 402 per cent [2020/21: Rs.5.45 billion].

For the recurring performance analysis, the reported PBT is adjusted for net foreign exchange gains/ losses, Group IP gains/losses other than at the Property industry group, one-off impacts at the Transportation companies and the impairment loss on investment property at WPL as detailed under the Recurring Adjustments section. On this basis, the recurring Group PBT stood at Rs.24.43 billion for the year under review, a 599 per cent increase against the previous year [2020/21: Rs.3.50 billion].

Taxation

The Group tax expense increased by 361 per cent to Rs.6.88 billion during the year under review [2020/21: Rs.1.49 billion]. The Group tax expense primarily comprises of a current tax charge of Rs.3.25 billion and a deferred tax charge of Rs.3.43 billion.

The effective tax rate (ETR) on Group profits decreased to 25 per cent, as against 27 per cent recorded in 2020/21.

The increase in the tax expense is primarily attributable to a deferred tax provision at the Holding Company. As noted previously, the significant foreign currency exchange gain at the Holding Company for the year under review, will be taxed upon realisation as per the current tax regulations. Hence, a deferred tax provision was recognised in 2021/22. A notable increase in performance across most businesses, barring the Leisure and Property industry groups, also contributed to an increase in the tax expense.

Other, including Information Technology and Plantation Services, Retail and Consumer Foods were the highest contributors to the Group tax expense with Rs.4.46 billion, Rs.872 million and Rs.681 million, respectively.

For further details on tax impacts, refer the Notes to the Financial Statements section of this Report - page 246

Profit After Tax

The Group profit after taxation (PAT) stood at Rs.20.44 billion for the year under review, an increase of 417 per cent [2020/21: Rs.3.95 billion].

As indicated in the ensuing graph, the highest contributors to Group PAT were, Other, including Information Technology and Plantation Services, Financial Services and Consumer Foods with contributions of Rs.16.63 billion [2020/21: Rs.2.36 billion], Rs.4.31 billion [2020/21: Rs.2.50 billion] and Rs.1.92 billion [2020/21: Rs.2.16 billion], respectively.

For the recurring performance analysis, the reported PAT is adjusted for all the impacts detailed under the Recurring Adjustments section. On this basis, the recurring Group PAT increased by 936 per cent to Rs.20.76 billion [2020/21: Rs.2.00 billion]

Composition of Group Profit After Tax

The breakdown of Group PAT into PAT attributable to equity holders and non-controlling interest (NCI) is as follows:

Rs.million	2021/22	2020/21	%
PAT attributable to equity holders	20,213	4,772	324
Non-controlling interest (NCI)	230	(821)	128
Group PAT	20,443	3,951	417

Non-Controlling Interests (NCI)

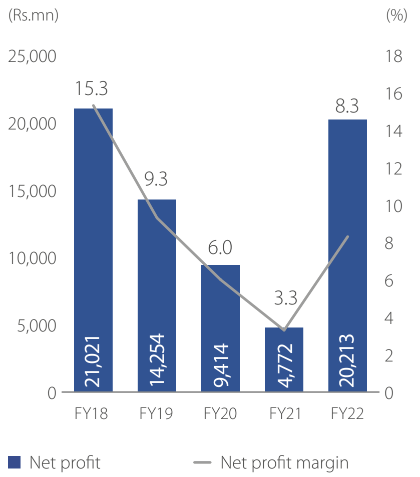
PAT attributable to shareholders with NCI stood at Rs.230 million in 2021/22, a 128 per cent increase primarily on account of better profitability at the Leisure industry group, in which the Group owns effective stakes of ~80 per cent. An improvement in the profitability of the Group's 90 per cent owned insurance business, UA, also contributed to the increase in PAT attributable to NCI.

However, the impact was partially offset by lower profitability at Ceylon Cold Stores PLC and mall operations at Asian Hotels and Properties PLC.

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

PAT attributable to equity holders of the parent increased by 324 per cent to Rs.20.21 billion [2020/21: Rs.4.77 billion]. The net profit margin of the Group increased to 8.3 per cent from 3.3 per cent in the previous year. The recurring net profit attributable to equity holders increased by 685 per cent to Rs.20.41 billion [2020/21: Rs.2.60 billion], whilst the recurring net profit margin of the Group increased to 8.4 per cent, against the 1.8 per cent in 2020/21.

Net Profit and Net Profit Margin



Performance of the Holding Company

Rs.million	2021/22	2020/21	%
Revenue	1,876	1,637	15
Dividend income	8,008	8,346	(4)
Finance income	24,198	4,617	424
Finance expenses	(2,966)	(1,245)	138
Profit before tax	28,284	11,367	149
Recurring profit before tax*	10,163	9,725	5
Profit after tax	24,386	10,566	131
Recurring profit after tax**	9,475	8,924	6

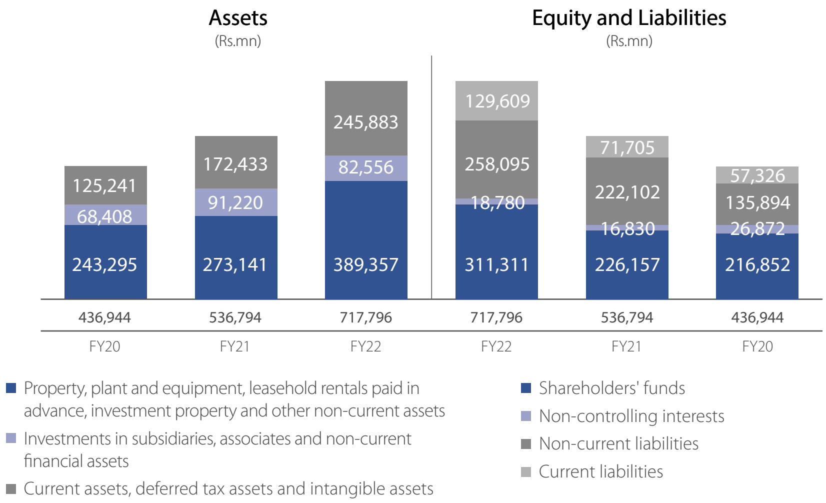
**Adjusted for impacts of foreign exchange gains and losses and the impairment loss at SAL as detailed previously.*
***In addition to the adjustments under PBT, this has also been adjusted for the one-off deferred tax impact at JKH.*

- 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 and fees from equity accounted investees.
- Dividend income in 2020/21 includes dividend that were originally payable in March 2020, although deferred at the time given the uncertainty due to unprecedented nature of the COVID-19 pandemic. This was subsequently paid in 2020/21 upon recovery of business performance.
- Finance income which comprises of both interest income and net exchange gains on the Group's USD denominated net cash balance, recorded a significant increase due to the steep depreciation of the currency towards the latter end of the year under review. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the IFC term loan facility and the private placement of ordinary shares to ADB.
- Finance costs recorded an increase during the year on account of (1) an increase in Rupee borrowing costs in line with the planned funding strategy of the Group as at this juncture and, to a lesser extent, (2) the long-term loan facility of USD 175 million obtained from IFC and the inherent translation impact due to the steep depreciation in the exchange rate during the latter end of the year under review. However, as noted, this reflects the interest cost on a 'gross' basis as the related interest income will be recorded under Finance Income and therefore does not have a material 'net' impact at this point in time.

Capital Management Review

Financial and Manufactured Capital

Financial Position



Group Assets

Group's total assets as at 31 March 2022 stood at Rs.717.80 billion, an increase of Rs.181.00 billion [2020/21: Rs.536.79 billion], primarily driven by an increase in other non-current assets, an increase in short-term investments and cash in hand and at bank. The increase in other non-current assets is primarily on account of construction costs pertaining to the 'Cinnamon Life Integrated Resort'.

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.163.10 billion [2020/21: Rs.105.43 billion] on account of:

- The proceeds received from phase 1 of the private placement of ordinary shares to ADB for a consideration of the LKR equivalent of USD 50 million.
- The translation impact on the USD denominated cash holdings at the Holding Company. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.

Insights

In November 2021, the Company resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to ADB in two phases.

- In January 2022, the first phase of the above transaction was completed where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million.
- Additionally, in terms of the second phase, the Company also issued non-tradable/non-transferable options, entitling ADB to subscribe for additional 39,025,204 new ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million.
- ADB has the option of exercising the aforementioned options between 19 October 2022 and 18 January 2023 at an option exercise price, which would be based on the volume weighted average price of the Company's ordinary shares as quoted on the Colombo Stock Exchange during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00. If exercised, this would result in strengthening the cash position of the Group by a range of ~Rs.6.4 billion - Rs.7.8 billion, based on the floor price and cap price, respectively.

Working Capital/Liquidity

Rs.million	2021/22	2020/21	%
Current assets	238,929	166,491	44
Current liabilities	129,609	71,705	81
Working capital	109,320	94,786	15

Current Assets: The increase in current assets is primarily driven by an increase in cash in hand and at bank and short-term investments, as explained under Group Assets.

Current Liabilities: Current liabilities recorded an 81 per cent increase, primarily owing to an increase in the current portion of interest-bearing loans and borrowings by Rs.31.12 billion, bank overdrafts by Rs.8.50 billion, trade and other payables by Rs.8.18 billion and short-term borrowings by Rs.7.93 billion, respectively.

The USD 395 million original syndicated loan at the 'Cinnamon Life Integrated Resort' project was refinanced in December 2021 through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million, which was structured in order to align with the maturity date of July 2022 of the original facility. The increase in current liabilities is due to this six-month bridging facility of USD 100 million which is due for repayment in June 2022.

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 2022, cash and cash equivalents increased by Rs.101.50 billion to Rs.134.56 billion.

- Net cash flow from operating activities reflected an inflow of Rs.30.44 billion for 2021/22, primarily on account of increased cash generation from operations and higher net finance income.
- Net cash flow from investment activities reflected an inflow of Rs.39.36 billion, primarily due to decreases in short-term investments with a maturity of more than three months, at the Holding Company.
- Net cash flow from financing activities was an inflow of Rs.31.69 billion, primarily on account of the private placement of ordinary shares to ADB for the LKR equivalent of USD 50 million and an increase in borrowings across Group businesses, as outlined in detail in the ensuing section.

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.717.80 billion as at 31 March 2022

Funding channels

Shareholder funds
43%

Non-controlling interest
3%

Long-term funding/creditors
36%

Short-term funding/creditors
18%

Group Debt and Net Debt/Cash

Group debt (excluding lease liabilities) amounted to Rs.234.70 billion which is a 59 per cent increase compared to the Rs.147.20 billion recorded in 2020/21. The notable increase in the Group debt position is primarily on account of the translation impact of its foreign currency denominated debt on account of the steep depreciation of the Rupee in March 2022, although this impact is partially negated at a net debt level given the USD cash holdings of the Group which also benefited from the translation impact. The Group recorded a net debt position (excluding lease liabilities) of Rs.77.61 billion, a 59 per cent increase against the net debt position in the preceding year, which stood at Rs.48.71 billion.

The increases in Group debt (including lease liabilities) were primarily from Property, Other, including Information Technology and Plantation Services, and Transportation industry groups with additions of Rs.42.77 billion, Rs.24.95 billion and Rs.8.96 billion, respectively. The increase in Group debt, excluding leases, are mainly attributable to the following:

- Property industry group – primarily due to the translation impact on the foreign currency denominated syndicate debt facilities at Waterfront Properties (Private) Limited (project company of the 'Cinnamon Life Integrated Resort'), given the steep depreciation of the Rupee in the latter end of the year under review.
- Holding Company - drawdown of Rupee facilities in line with the planned funding strategy of the Group, as at this juncture, and due to the translation impact on the USD 175 million long-term loan facility obtained from the IFC.
- Transportation industry group - primarily stemming from an increase in short-term borrowings at LMS to finance working capital requirements given the steep increase in fuel oil prices.
- Leisure industry group - term loans and overdraft facilities in order to sustain working capital requirements and to lesser extent, fund maintenance related capital expenditure.

Insights - Managing the Group's foreign currency exposure

The steep depreciation of the Rupee witnessed during the latter end of the year had the following implications on the Group's financial position:

- Gross debt noted a significant increase, particularly given the exposure of the USD 175 million long-term loan facility at the Holding Company and the USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million at Waterfront Properties (Private) Limited.
- The Holding Company maintained a strong net cash position. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.
- At a Group level, the translation risk is also largely hedged 'naturally' as a result of the conscious strategy of matching liabilities against foreign currency denominated revenue streams, to the extent possible.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars.
- 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.

Insights - Refinancing of the USD 395 million syndicated loan facility at 'Cinnamon Life Integrated Resort'

In December 2021, Waterfront Properties (Private) Limited (WPL), the project company of 'Cinnamon Life Integrated Resort' refinanced the USD 395 million syndicated loan through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million, which was structured in order to align with the maturity date of July 2022 of the original USD 395 million facility.

- The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers.
- The facility is a 5-year loan with a 2-year grace period and back-ended capital payments.

Although Group debt recorded a significant increase, the net debt position (excluding lease liabilities) of the Group was Rs.77.61 billion due to the cash balances held at the Holding Company level. This is largely due to the IFC loan which does not have an impact on net debt as the loan drawdown is retained as cash at the Holding Company.

Accordingly, the increase in the net debt position, barring the impact of leases, stemmed from the increase in Rupee borrowings at the Holding Company and from the Property and Leisure industry groups, due to the reasons outlined above. The impact of the Transportation industry group on Group debt did not flow through to net debt, given that the industry also accumulated notable cash reserves during the year under review.

Capital Management Review

Financial and Manufactured Capital

It should be noted that both Group debt and net debt excludes lease liabilities recorded from the adoption of SLFRS 16 – Leases. Lease liabilities as at 31 March 2022 stood at Rs.33.53 billion, a 30 per cent increase against last year [2020/21: Rs.25.71 billion]. Additionally, net debt also excludes short-term investments of the life fund of UA, the restricted regulatory fund of UA and customer advances from 'Cinnamon Life Integrated Resort', as applicable.

Where businesses have foreign currency denominated income streams, borrowings in foreign currency are obtained to match such cashflows naturally while also optimising on 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.168.09 billion of overall debt is denominated in foreign currency, which translates to ~84 per cent of total debt [2020/21: 71 per cent].

Despite the significant increase in the cost of Rupee debt and tightening credit conditions in the country, the Group is confident of its ability to fund its pipeline of projects and expansion plans, if feasible, thereby optimising equity returns in the long run.

Group Assets

Rs.**717.80**bn

2020/21: Rs.536.79 bn 34%

Group Debt (excl. Lease Liabilities)

Rs.**234.70**bn

2020/21: Rs.147.20 bn 59%

Net Debt / (Cash)

Rs.**77.61**bn

2020/21: Rs.48.71 bn 59%

Net Debt / (Cash) to Equity Ratio

23.5%

2020/21: 20.0%

Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2022 stood at Rs.163.10 billion against Rs.105.43 billion in 2020/21; the increase is on account of the reasons outlined under the Cash Flow section. Group cash and cash equivalents comprise of Rs.52.38 billion as cash in hand and at bank and Rs.110.72 billion under short-term investments. It is pertinent to note that, of this, the life fund at UA amounts to Rs.2.63 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 71 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.

		2021/22	2020/21
Current ratio	(times)	1.8	2.3
Quick ratio	(times)	1.6	1.6
Working capital	(Rs.million)	109,320	94,786
Asset turnover	(times)	0.4	0.3
Capital employed	(Rs.million)	598,319	415,891
Total debt*	(Rs.million)	234,701	147,197
Net debt/(cash)*	(Rs.million)	77,611	48,709
Debt/equity ratio*	(%)	71.1	60.6
Net debt/(cash) to equity ratio*	(%)	23.5	20.0
Long-term debt to total debt*	(%)	67.7	80.8
Debt/total assets*	(%)	32.7	27.4
Debt/EBITDA*	(times)	8.0	9.4
Net debt (cash)/EBITDA*	(times)	2.7	3.1

**Excludes lease liabilities.*

Despite the increase in gross debt levels due to the impact of the depreciation of the Rupee as explained above, the Group also benefited from a corresponding positive benefit on its cash holdings. As such, a more representative indicator such as the net debt/equity ratio indicates the Group's ability to fund its investment pipeline, as and when required. It should be noted that debt and net debt/EBITDA ratios have improved largely on account of the significant turnaround in EBITDA as the businesses across the Group witnessed a strong recovery momentum and a growth in overall performance during the year under review, with most businesses reaching pre COVID-19 levels.

Despite the significant increase in the cost of Rupee debt and tightening credit conditions in the country, the Group is confident of its ability to fund its pipeline of projects and expansion plans, if feasible, 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 to maintaining a strong balance sheet to remain resilient, particularly considering the volatile macroeconomic environment.

Statement of Changes in Equity

Total equity of the Group as at 31 March 2022 stood at Rs.330.09 billion, [2020/21: Rs.242.99 billion]. The increase was primarily in lieu of:

- Other comprehensive income of Rs.58.80 billion, which was driven by an increase in the foreign currency translation reserve on account of the translation impact on its foreign currency denominated subsidiaries and equity accounted investees, in particular Waterfront Properties (Private) Limited.
- Group profit after tax of Rs.20.44 billion during the year under review.
- Phase 1 of the private placement of ordinary shares to the Asian Development Bank which was recorded at Rs.10.05 billion in the Statement of Changes in Equity.

For a discussion on the ROCE and ROE of the Group, refer Strategy, Resource Allocation and Portfolio Management – page 158

Natural Capital

The Group has in place a comprehensive environmental management system which focuses on policies and procedures that ensure sustainable principles are embedded in business operations and are conducted in a sustainable manner. These include energy conservation, carbon footprint reduction, optimisation of water usage, efficient waste management and conservation of biodiversity. The Group has identified material areas to minimise any negative impacts and externalities, and constantly strives to implement initiatives to conserve natural resources and create value for all stakeholders. The initiatives undertaken by the Group as a part of its commitment to managing Natural Capital are discussed in detail in the ensuing sections.

Focus areas and priority SDGs under Natural Capital

Related SDG focus areas the Group is working towards:

7. Affordable and Clean Energy

Continuing to increase the amount of renewable energy utilised and generated in the Group's energy mix.

12. Responsible Consumption and Production

Energy conservation through adopting efficient practices and alternatives.

Optimising water usage by implementing efficiency improvements and awareness creation.

Encouraging reuse and recycling of waste alongside responsible waste disposal.

13. Climate Action

Monitoring and managing the Group's carbon footprint through adopting alternatives to fossil fuels, where possible.

14. Life Below Water

Conservation of biodiversity and preservation of marine habitats.

15. Life on Land

Conservation of biodiversity and sustainable use of natural resources.

Key highlights for the year:

- 16% of the Group's energy requirement was met through renewable energy sources.
- Established 2024/25 energy, water and plastic reduction sustainability goals within the Group.
- 30% of treated water was recycled and reused to minimise freshwater extraction.
- 3,186 GJ of energy saved through energy efficiency and other initiatives.
- Launched the 'Cinnamon Rainforest Restoration Project' which involves restoration of 59 acre degraded land, which is adjoining Sinharaja forest reserve, a world heritage site.
- Biodiversity management plans were developed for selected areas.

Three-year performance indicators:

	2021/22	2020/21*	2019/20
Energy consumption: non-renewable sources (GJ) 1	301,172	216,253	298,146
Energy consumption: non-renewable sources (GJ) per Rs.million of revenue	1.59	1.70	2.13
Energy consumption: renewable sources (GJ) 2	127,825	132,706	119,387
Energy consumption: renewable sources (GJ) per Rs.million of revenue	0.70	1.04	0.85
Purchased energy: national grid (GJ) 3	390,294	349,195	393,893
Purchased energy: national grid (GJ) per Rs.million of revenue	2.13	2.75	2.82
Total energy consumption (1) + (2) + (3)	819,291	697,043	811,426
Direct greenhouse gas emissions - Scope 1 (MT)	27,507	15,894	22,244
Indirect greenhouse gas emissions – Scope 2 (MT)	71,188	66,114	74,577
Total carbon footprint (MT)	98,695	82,009	96,821
Total carbon footprint (MT) per Rs.million of revenue	0.53	0.64	0.69
Greenhouse gas emissions from combustion of biomass (MT)	9,172	10,535	9,792
Water withdrawal (m^3)	1,940,542	1,677,672	1,896,084
Water withdrawal (m^3) per Rs.million of revenue	10.61	13.19	13.57
Water discharge (m^3)	1,305,676	1,091,384	1,155,698
Volume of hazardous waste generated (MT)	274	279	298
Volume of non-hazardous waste generated (MT)	8,026	6,484	7,462
Non-hazardous waste recycled/reused by Group companies and through third party contractors (%)	31	22	37
Significant environmental fines	Nil	Nil	Nil

2020/21 has been restated.

2024/25 Sustainability Goals

As published in the JKH Annual Report 2020/21, Group businesses in furtherance of its Natural Capital management strategy established 2024/25 Sustainability Goals. The performance during the year against these committed Sustainability Goals are disclosed in the respective industry group sections of the report.

Industry Group Review – page 70

Energy and Carbon Footprint

The Group's energy consumption was 819,291 GJ [2020/21: 698,154 GJ] during the year, 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 increase in energy consumption during the year under review was primarily due to higher levels of operational activity, particularly in the Leisure and Transportation industry groups.

Energy Conservation Efforts

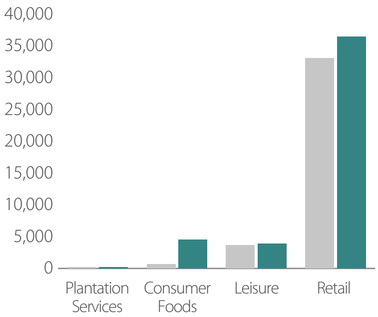
Given the Group's conscious emphasis on climate change and reducing dependence on fossil fuels, further investments were undertaken in solar power and use of biomass as forms of renewable energy.

14 outlets under the Supermarket business installed solar panels during the year, increasing the total number of solar-powered outlets to 80. Investments were also made at factories of the Consumer Foods industry group.

Tea Smallholder Factories PLC (TSF) continued to fulfil 69 per cent of its energy requirement through biomass purchased from surrounding communities, thereby contributing to 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.

Natural Capital

Renewable Energy through Solar Power
(GJ)



Carbon footprint reduction from efficiency initiatives

2,603 MT

[2020/21: 6,296 MT]

3,186 GJ of energy saved through efficiency improvements

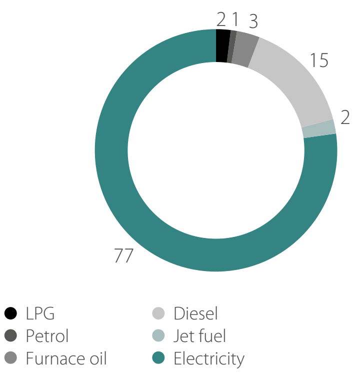
Leisure, Consumer Foods, and Retail industry groups were the largest consumers of energy, accounting for over 80 per cent of the energy consumed and 90 per cent of the carbon footprint of the Group as depicted below.

Energy Consumption by Industry Group
(GJ '000)

*FY21 figures have been restated

Further details on these initiatives are found in the Industry Group Review section of the Report – page 70

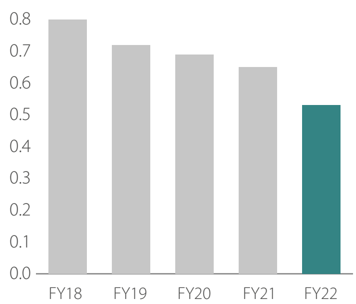
Carbon Footprint by Energy Type
(%)



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.

(MT CO_2 eq)



*FY21 figure has been restated

For further details, refer the Industry Group Review section of the Report - page 70

Carbon footprint reduction from renewable energy

Renewable energy usage

127,825 GJ [2020/21: 132,706 GJ]

16%

of Group energy usage [2020/21: 19%]

Contributed towards:

8,536 MT

in carbon footprint

Water Management

The Group continued to roll-out initiatives with the aim of conserving water and worked on multiple awareness creation programmes whilst continuously monitoring and measuring 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 sources. All water withdrawn by the Group is from non-water stressed areas.

Water withdrawn

1,940,542 m^3 [2020/21: 1,677,672 m^3]

30%

of water treated [2020/21: 19%]

27%

of treated water is recycled

The Group continued to roll-out initiatives with the aim of conserving water and awareness creation programmes whilst continuously monitoring and measuring usage from all sources. All water withdrawn by the Group is from non-water stressed areas.

Where feasible, the Group seeks to fulfil a part of its water requirement by means of green water sources through rainwater harvesting and reuse of treated water to minimise freshwater extraction. Given the nature of operations, the Leisure, Consumer Foods, Retail and Property industry groups accounted for the highest proportion of water consumed, with over 85 per cent of the Group's water consumed.

Water Withdrawn by Industry Group

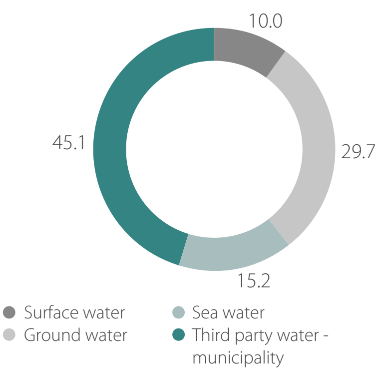
(m³ 000)

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

Water treatment plant 'Cinnamon Citadel Kandy'.

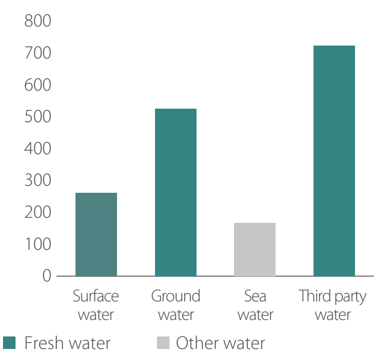
Water Withdrawal by Source

(%)

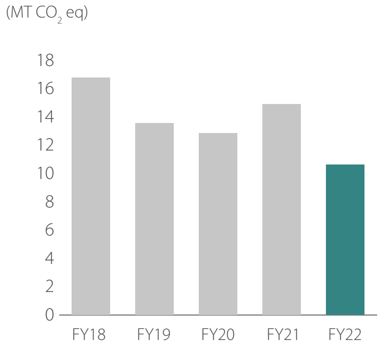


Water Withdrawn by Category

(m³ 000)



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

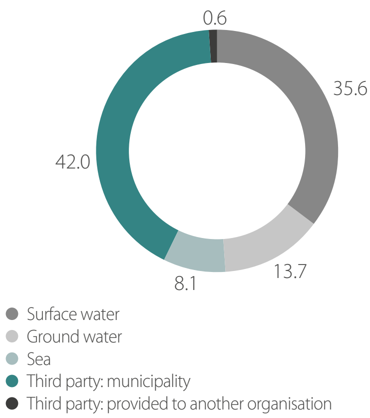


**FY21 figure has been restated*

The Group ensures compliance with regulatory standards, as per relevant environmental protection licenses (EPL) when discharging water to the environment and conducts recycling of treated effluent to bring it to stipulated levels for reuse.

Water Discharge by Method

(%)



During the period under review, the Group discharged 1,305,676 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). 30 per cent of the water was treated using on-site sewage treatment plants at various operational locations prior to being discharged, whilst 27 per cent of treated water was completely recycled. Such water was utilised for general cleaning and gardening purposes.

For further details, refer Industry Group Review section of the Report - page 70

Natural Capital

Waste Management

Total waste generated by the Group recorded an increase to 8,051 MT primarily in lieu of higher operational activity with the easing of impacts of the pandemic, particularly in the Leisure industry group. Of the total waste generated, 216 MT was classified as hazardous waste and disposed after recycling using specialised third-party contractors. 29 per cent of the non-hazardous waste generated was recycled or reused by the Group's business units through selected third-party contractors. Leisure, Consumer Foods and Retail industry groups accounted for over 90 per cent of the waste generated by the Group.

For further details, refer to the Industry Group Review section of the Report - page 70

Waste generated

8,301 MT

[2020/21: 6,763 MT]

31%

of waste recycled or reused

250

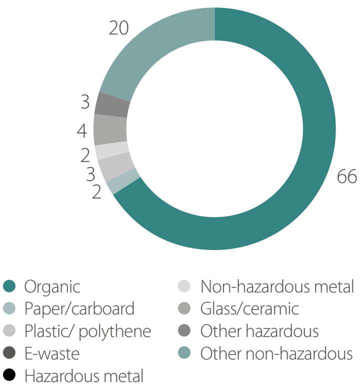
'Plasticcycle' bins islandwide

Waste Generated by Industry Group

(kg '000)

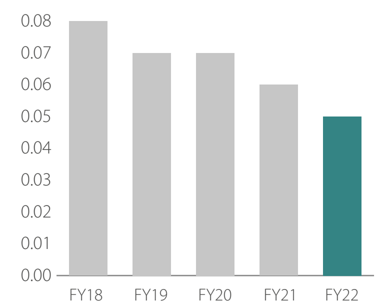
Waste by Composition

(%)



Continued efforts towards waste reduction resulted in waste generated per Rs.million of revenue depicting a declining trend.

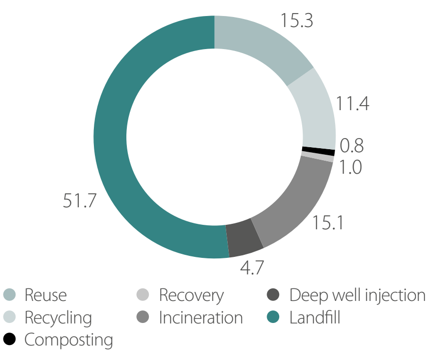
(MT)



**FY21 figure has been restated*

Non-hazardous Waste Disposal by Method

(%)



29 per cent of the non-hazardous waste generated was recycled or reused by the Group's business units through selected third-party contractors.

Zero Waste Day

Similar to the previous year, the Group continued the Zero Waste Day initiative which aims to discourage employees from bringing single-use plastic to work and their homes. As a part of this initiative, various awareness creation strategies were deployed, including suggestions to minimise waste at home and the workplace, information on alternatives and facts relating to waste and other sustainability related best practices which were communicated to employees regularly via online platforms.

Awareness creation flyers circulated via online platforms.

'Plasticcycle' Social Entrepreneurship Project

Over 250 recyclable plastic waste collection bins island-wide since its inception in 2017/18

~26.9 MT of recyclable plastic waste (equivalent of ~800,000 PET bottles) collected in 2021/22

The Group's Social Entrepreneurship Project – 'Plasticcycle', continued its initiatives to reduce plastic pollution in Sri Lanka, focusing on three key areas to drive change - creating awareness, supporting responsible disposal, and promoting recycling, despite the challenges posed by the pandemic.

Improving the collection mechanism and expanding the 'Plasticcycle' bin network:

- Facilitation of the launch of a plastic waste collection centre in Borelasgamuwa, owned and operated by Zerotrash and funded by CCS PLC, under their CSR brand 'Gunadamin Elephant House'.

Supporting responsible disposal:

- 'Plasticcycle' facilitated through 'AGC Innovate', to use Plastic Modified Asphalt Concrete (PMAC) to restructure and resurface roads at several business locations of the John Keells Group and its associated companies, such as 'The Suites at Cinnamon Life', Crescat Boulevard, the warehouse of John Keells PLC and South Asia Gateway Terminals.

Awareness creation:

- Encouraging the reduction in the use of single-use plastic continued through both virtual and on ground socially distanced awareness sessions, including the sponsorship of the World Ocean Summit 2021 organised by Pearl Protectors.
- In order to reach a wider audience, the 'Plasticcycle' website 'www.plasticcycle.com' was revamped and relaunched as a trilingual website, which won the Silver award in the Non-Profit category, as well as in the Best Mobile Optimised category at the Bestweb.LK awards this year.

Asphalt Road at 'Cinnamon Life', together with AGC Innovate.

Construction of Asphalt road at 'Cinnamon Life'.

Zero Trash recyclable plastic collection centre at Borelesgamuwa.

CSR Environmental Initiatives

The John Keells Group is committed to conserving the environment for future generations as well as business sustainability and makes a conscious and collective effort to protect and promote environmental and biodiversity conservation through its social responsibility entity, John Keells Foundation (JKF). Below are the key projects undertaken by JKF.

CSR Focus Area – Environment

www.johnkeellsfoundation.com

Other environmental initiatives can be found in the Industry Group Review section of the report - page 70

Nature Field Centre, Rumassala

The Nature Field Centre was closed for visitors until October 2021 due to pandemic related challenges. Upon easing of such restrictions, 5 programmes were conducted, benefiting 192 visitors. During the reporting year, a publicity video was in production towards enabling the centre to be self-sustainable in terms of awareness creation as well as promoting the property for hire for permitted private events.

Paper Conservation

The Group continued with its long-standing initiative to responsibly collect and recycle wastepaper disposed of by its businesses.

Impact during 2021/22

Direct impact: 15,632 kg of waste paper collected for recycling and a monetary benefit of Rs.125,056.

Indirect impact (reported savings):

266 trees

496,785 litres of water

62,528 kWh of electricity

27,434 litres of oil

47 m^3 of landfill

Natural Capital

'Cinnamon Rainforest Restoration Project'

JKH in partnership with 'Cinnamon Hotels & Resorts', Ruk Rakaganno (The Tree Society of Sri Lanka) and the Forest Department of Sri Lanka launched the 'Cinnamon Rainforest Restoration Project' which involves the restoration of a degraded 59-acre plot in Suduwelipotha located in the Kalawana range in proximity to the Sinharaja forest reserve (a UNESCO World Heritage Site), over an initial period of three years.

Natural forest regrowth is increasingly being seen as a viable climate change solution globally. This restoration project aims to conserve Sri Lanka's biodiversity and ecological significance of the region and is based on cultivating local flora whilst extracting invasive species that degrade the native plant regeneration.

The following activities were undertaken in the year under review:

- Clearance of invasive plants in the entire extent of land with tree planting commencing in certain areas.
- Whilst 10,000 native plants were being raised by 15 community members, over 5000 pioneer species plants were nurtured at the site nursery maintained by the project.
- The University of Colombo was engaged for continuous scientific monitoring of the ecological progress whilst a PhD student has been assigned to the project.

Panel discussion of project partners at the media conference of the 'Cinnamon Rainforest Restoration' project.

Human Capital

As one of the primary contributors to the Group's value creation process through its earning potential and productivity, the management of Human Capital is of vital importance. Attracting and retaining talent and motivating talent whilst providing development opportunities, enable the Group to ensure long-term sustainability of its operations.

The Group's management systems and processes aim to ensure a safe working environment with equal opportunity provided to its diverse workforce. The Group's comprehensive approach to managing its Human Capital is founded on the core building blocks of 'inspiring people', 'caring for people' and 'leadership'.

Focus areas and priority SDGs under Natural 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, 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:

- Launch of the learning management system 'BRIDGE' to further enhance e-learning.
- 33% female participation as at 31 March 2022 against a goal of 40% by 2025/26.
- Women-centric training initiatives were implemented with the aim of retaining and developing female talent.
- Health and safety of all internal and external stakeholders were ensured through stringent procedures in place.
- The Diversity, Equity and Inclusion policy was formalised in May 2022.
- Cognizant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, the Group provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.

Three-year performance indicators:

	2021/22	2020/21*	2019/20
Total workforce (employees and contractors' staff)	21,200	20,092	20,578
Employees*	14,700	13,889	14,359
Outsourced personnel (neither staff employees nor seasonal workers)	6,500	6,203	6,219
Employee benefit liability as of 31 March (Rs.million)	3,107	2,330	2,344
Total attrition (%)	29	18	23
New hires (%)	76	47	65
Number of injuries	190	83	118
Number of people educated on serious diseases	Not conducted this year	Not conducted this year	29,630
Average hours of training per employee	25	23	44
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, 683 are placed in the Maldives, with the remainder domiciled in Sri Lanka.*

Agile Working Arrangements

The Group continued to further augment the agile working arrangements which were developed in response to the pandemic, with the aim of empowering employees to work remotely – with maximum flexibility and minimum constraints subject to the their role in the organisation – thereby optimising performance and sustaining productivity levels. Key measures adopted to this end, include:

- Reinforcement of the work arrangement protocol to serve as guidance for Group companies, to establish working arrangements to ensure business continuity and safety of both employees and other stakeholders.
- Continuous communication updates surrounding key developments and policy changes to stakeholders by the senior leadership, which was more prevalent towards the latter end of the year under review given the challenges on the macroeconomic front.
- All job roles were evaluated to determine the level of agility of each role and steps were taken to facilitate necessary work arrangements.
- A variety of virtual engagement initiatives, particularly focusing on mental health were launched throughout the year.

Employee Diversity, Equity and Inclusion

During the year under review, the Group continued the commitment towards Diversity, Equity and Inclusion (DE&I) under the brand 'ONE JKH', with many initiatives rolled-out with the aim of positively impacting the workforce, and value chain.

Women-centric training initiatives

- With the aim of retaining and developing female talent; a quarterly forum named 'WOICE' was launched in July 2021, where participants can engage with successful female career women.
- Gender diversity of participants at all learning and development (L&D) programmes across the Group are now tracked via an L&D dashboard to ensure equal opportunity.

Childcare support

- The commitment towards employer supported childcare was also reinforced with the Group onboarding a service provider for crèche facilities at a subsidised rate for Group Staff, in tandem with Children's Day in October 2021. Another crèche service provider was onboarded in February 2022.
- 'Parents Connect' – the Group's Parents Network was launched in July 2021 as a platform for parents in the Group to engage on relevant areas. Forums on timely topics such as 'Parenting in the Pandemic' were conducted.
- The 'Winning over New Parents' toolkit was launched in April 2021, towards achieving higher maternity and paternity leave return rates, and to ensure that supervisors have timely conversations to better understand employee needs prior to and during such leave periods.

Champions of Change Pledge

The Champions of Change Pledge taken by the Group Executive Committee and the Group Operating Committee in June 2021, formalised the leadership's commitment to ensure that Life at JKH is inclusive. The senior management of the Group participated in guided conversations, facilitated by an expert external resource person on addressing unconscious bias where personal commitments were made to better understand personal biases and to work towards addressing the stereotyping caused by these biases.

JKH Connect

- The inaugural issue of the annual bi-lingual DE&I Newsletter to John Keells Group supplier network, 'JKH Connect', was published in April 2021 to increase awareness of DE&I across the value chain partners and to encourage women-owned and women-led businesses.

Other initiatives

- The inaugural Chairman's Award for DE&I was presented at the annual awards ceremony in November 2021.
- Group businesses launched their own initiatives targeting selected value chain partners. With regards to this, CCS launched 'Dirya Upahara', a recognition programme felicitating female distributors of Beverage business and 'Dinannee', a programme aimed at empowering female distributors of Frozen Confectionery business.

SanNap programme

In March 2022, JKH entered into an agreement to offer all female employees of the John Keells Group with sanitary napkins, free of charge. Menstrual Health is a far-reaching topic, and the lack of education on menstrual health and limited access to essential sanitation, may have a negative impact on not only the physical and mental well-being of individuals, but also the productivity of females in the workforce.

JKH and Hemas SanNap Programme - Signing of the Agreement.

Human Capital

LGBTIQ

In September 2021, another key milestone was reached with the completion of the Inclusive Workplace Survey conducted in partnership with The National Transgender Network (NTN) and The Grassrooted Trust, to obtain a broad range of information on trans inclusivity in the corporate sector. During the same period, the Group joined IFC Sri Lanka's 'TWC+' ('Together We Can Plus), making commitments on inclusivity towards Persons with Disabilities.

Female participation in the workforce

The Group businesses are currently working towards reaching the 5-year goal of 40 per cent women in the workforce by 2024/25, which was announced on International Women's Day 2021. As at 31 March 2022, the female participation stood at 33 per cent [2020/21: 30 per cent]. The Group continues to implement various initiatives, including recruitment and mentoring to increase women in non-traditional and leadership roles.

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

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

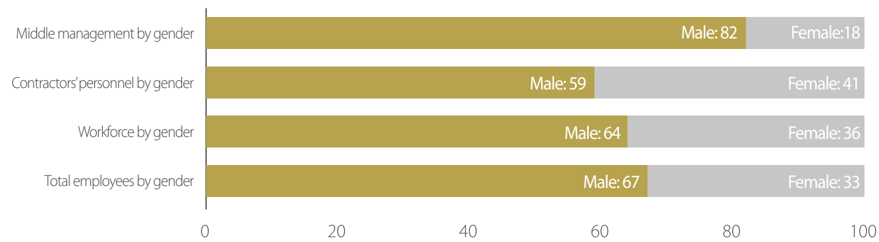
- 2 members are over 50 years whilst 5 members are between the ages of 30-50 years
- 1 female member

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

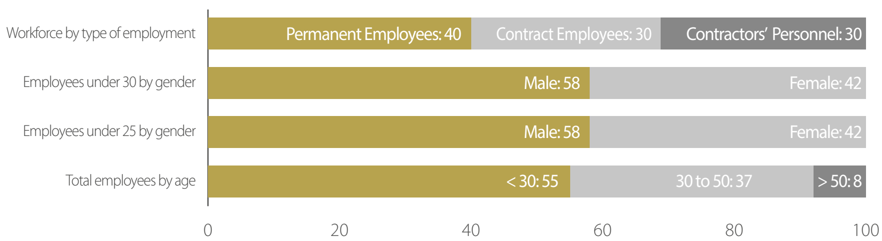
- 11 members are between the ages of 30-50 whilst 2 members are over the age of 50
- 4 female members

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's talent management strategy focuses on developing, engaging and retaining high performing employees in improving business performance. This aims at enhancing the overall employee experience by promoting continuous engagement through various channels and interventions. The talent management module on HRIS facilitates the identification of talent pools, critical job roles and effective succession planning across the Group. 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. Career chats, skip level meetings, young forums and development plans have been put in place to encourage key talent to engage in various discussions with the senior leadership team regarding their career aspirations, development needs and how it can be addressed and to spearhead initiatives assigned to them.

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

- Participated in virtual career fairs organised by the University of Colombo and the University of Kelaniya.
- The Group facilitated virtual mock interviews for the final year students at the University of Ruhuna, with constructive feedback and advice.
- Conducted a virtual workshop themed 'Alternative pathways to Success' for students at the University of Ruhuna to equip them with workplace skills, to overcome challenges in a workplace and to showcase various career paths available.
- The Group conducted a mentoring session for the students at the University of Ruhuna to develop their skills in creating resumes and facing interviews.
- Participated as a consultant for the AIESEC NextGen Member Development Program which entailed one-to-one discussion with students on resume development and facing interviews.
- OCTAVE, the Group's Centre of Excellence for Data and Advanced Analytics, collaborated with the Career Guidance Unit of Lyceum International School, Sri Lanka to conduct 'AI Made Easy', a data quiz along with a career guidance session.

The Group Management Trainee programme was completed for the fifteenth year, although virtually for the first time. The process and the selection criteria were changed with the intention of broad basing the talent pool and influencing the quality of candidates. 1,265 candidates applied for the programme and 636 were selected for the resume screening stage, of which 8 management trainees were hired to the Group.

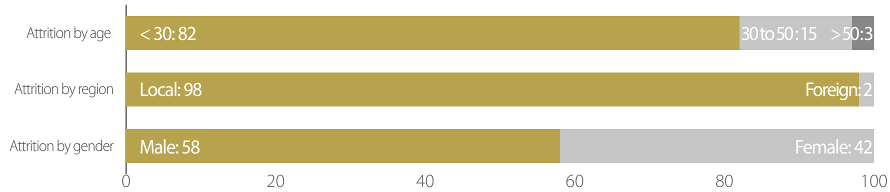
The Group closely monitors attrition which includes resignations and vacation of posts, with a particular focus on addressing attrition in sectors such as Information Technology and the Supermarket business, which inherently experience higher staff turnover levels. During the year under review, the Group's attrition rate was 29 per cent [2020/21: 18 per cent] and new hire attrition rate was 15 per cent [2020/21: 4 per cent]. Attrition amongst staff identified as 'Talent' has been insignificant, due to the added emphasis by senior management on their overall development. Executive level attrition has typically remained lower than non-executive level attrition.

Human Resource Information System

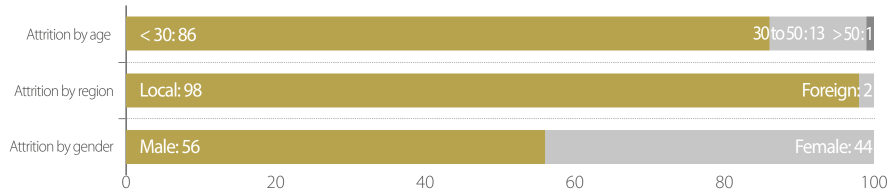
- 32 core HR processes in four sectors were outsourced to Infomate during the year under review.
- Improved visibility on performance, employer expectations and employee progression has led to greater connectivity between supervisors and their teams, which has assisted in adopting agile work practices seamlessly across the Group.
- The ability to monitor the future aspirations and interests of employees has benefited employers and employees alike in determining the best course of progression within the Group.
- Implementation of a Power BI HR dashboard which analyses HR data, enables the HR related decision-making process to be simpler and easier for the senior leadership team.

JKHMT 2021/22 - 'Cinnamon Life' Site Visit.

Group Total Attrition
(%)



Group New Hire 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 70

Learning and Development

Building on the Group's future-focused learning culture and the need to align to a dynamic learning environment, the year under review saw a more structured approach to learning digitisation across the Group. Further augmenting the e-learning ecosystems to execute learning initiatives in a timely and effective manner, in a year that continued to be challenging for in-person delivery was a key focus area during the year under review.

The launch of the common learning management system 'BRIDGE' in the third quarter of the year under review, was one of the most significant milestones in the evolution of learning and development in the Group.

- Designed to bring the learning to the employee and deliver value through a transformative learning experience that meets individual development needs, whilst catering to diverse learning styles, leveraging on social learning, and aligning with business purpose and performance.
- BRIDGE connects with established learning management systems across the Group, and through this integration learners from different sectors have the ability to access generic learning content applicable for personal development and growth.
- BRIDGE promotes social and engagement-based learning, that encourages real-time experience share, and healthy competition, which are manifested through features such as leaderboards, discussion forums, learning achievement badges, and certificates, whilst the course catalogues, and library items provide anytime accessible learning content, that is easily digestible. Learners can easily track their learning advancement and collaboratively develop in the learning experience through peer endorsements, whilst the reporting features on BRIDGE enable analytics driven insights on learning, people, and organisational development.

The Group embarked on piloting new learning initiatives through global service providers, creating more in-house developed digital learning content, and expanding the portfolio of micro-learning sessions facilitated through internal faculty. To this end:

- Some of the more established initiatives such as the Group Management Trainee programme and Group Development Centres were restructured to enable effective execution in a remote working environment.

Human Capital

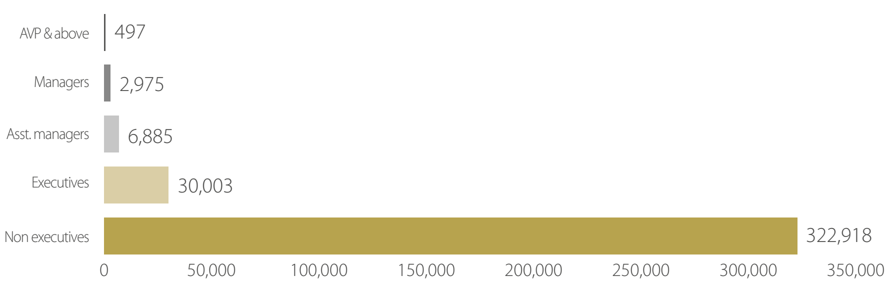
JKHMT 2021/22 - Harrison Assessment Workshop.

- The JKH Speakers' Club also consolidated a successful year.
- A new competition; All Stars, designed to identify home-grown talent in training delivery and presentation skills, was also introduced.
- Aside from these new learning initiatives, Group inductions, competency-based programmes, development centres and new manager development programmes were deployed predominantly through online media.

Training	2021/22	2020/21
Total training hours	363,278	315,547
Training hours per female employee	22	23
Training hours per male employee	26	23

Detailed discussions of business-specific training initiatives for employees are found in the Industry Group Review section of the Report - page 70

Total Training Provided
(Hours)



Performance Appraisals and Recognition

The Group's performance cycle enables the identification of high performers and setting of succession plans whilst 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) enables supervisors and teams to convert objectives into activities and record progress and feedback on a continuous basis. Further, the cloud-based HRIS system enables all performance appraisals and Career Committee reviews to be done remotely.

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 digitisation, sustainability and CSR volunteerism also included in the Group's recognition schemes. 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.

Financial and non-financial interventions to assist Group employees given the current challenging macroeconomic landscape.

Cognizant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, JKH provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022. Further, a set of initiatives and programmes in the form of non-financial and indirect financial support are in the process of being rolled-out in order to address the hardships faced by employees and assist employees of the Group to bridge the cost of essential items. These include awareness sessions and webinars on managing personal finances in the current economic climate.

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.

Health and Safety

The Group places significant emphasis on ensuring a safe place to work and any health and safety concerns are prioritised and addressed through robust management systems that are in place. This entails incidents being logged along with the cause of injury and severity, recorded and tracked on a continuous basis.

	Employees	Contractors' personnel
High consequence injuries (number)	0	0
High consequence injury rate (%)	0	0
Recordable Injuries (number)	184	6
Recordable injury rate (%)	1.3	0.1
Number of hours worked (millions)	29.40	13.00

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 2021/22.

Collective Bargaining

The Group engages with trade unions through joint consultative committees and other mechanisms on an ongoing basis. Formal agreements are found in the Consumer Foods industry group which covers 582 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, whilst 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.255 million (3 per cent of salary contributed by the employer), whilst the total contribution made to the employee provident fund was Rs.988 million (12- 20 per cent of salary contributed by the employer and 8-15 per cent of salary contributed by the employee). In Sri Lanka, employees are also entitled to retirement gratuity. The employee benefits liability as at 31 March 2022 was Rs.3.1 billion.

Fire safety training conducted at KFP.

JKH Volunteers at the Kala Pola pop up sale.

Staff Volunteerism

Staff volunteerism plays a vital role as most of JKF's projects are carried out with the support of volunteers. Staff volunteers range from project champions, Sector CSR Coordinators and volunteer trainers to those who engage in skill-based volunteerism, field work and administrative support. 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, whilst benefiting from the related sense of fulfilment, positive energy and opportunities to further their own personal growth. Moreover, the Group's volunteer leave policy enables staff to be released for CSR activities with minimum restraint.

Despite field-based opportunities being inhibited by COVID-19 related lockdowns and restrictions as well as unprecedented socio-economic issues during the year under review, over 230 staff volunteers engaged in projects undertaken by JKF whilst over 382 volunteer instances and over 1,408 hours were recorded. Volunteers across the Group continued to support JKF to sustain and adapt its activities to pandemic and other socio-economic conditions including the conduct of virtual and remote programmes. The above statistics exclude CSR initiatives that were undertaken at a sector/ business level.

The annual Volunteer Recognition Day 2021 was conducted virtually, recognising the contributions of 194 employees in Group service out of the volunteers who engaged in JKF's activities in 2020/21 through skill-based volunteerism, field and administrative support.

Social and Relationship Capital

The Group strongly believes in the importance of maintaining sustainable relationships with customers, suppliers, community, and all other relevant stakeholders for long-term sustainable value creation.

To this end, the Group is engaged in a multitude of initiatives that allow collaboration and reciprocity between the Group and its key stakeholders.

Focus areas and priority SDGs under Natural Capital

Related SDG focus areas 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 gender based violence through awareness and capacity building.

6. Clean Water and Sanitation

Supporting communities with essential infrastructure facilities to provide 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 livelihoods development.

11. Sustainable Cities and Communities

Nurturing the livelihoods and social well-being of local communities, promoting Sri Lankan Arts and Culture and preserving the cultural heritage.

16. Peace, Justice and Strong Institutions

Promoting peace and justice and strengthening institutions including women-based structures through community and livelihood programmes; Eliminating violence, especially against women and children through capacity building and awareness creation at multiple levels including the general public.

Key highlights for the year:

- Empowering women's entrepreneurship and livelihoods through continued capacity development and market access support for 25 women, in times of extreme economic hardships arising from pandemic-related and other socio-economic conditions in the country.
- Formalised plans and partnerships for a Street Market in Colombo 2 for marketing of food and beverages and arts and crafts by low-income communities (primarily women) that meet public health and hygiene standards.
- Multi-pronged awareness campaigns focused on preventing and addressing gender-based violence and child abuse, reaching over 194,528 people.
- Launch of 'John Keells Praja Shakthi' in Ja-Ela and Habarana to strengthen livelihoods, support structures and create awareness to promote a healthier society.
- Cleaning of 29 submerged wells in six villages to aid suppliers and local communities of TSF affected by floods, directly benefiting 200 persons.
- English language and higher education scholarships awarded to 712 school children and university students.
- Launched the 'John Keells Praja Shakthi' Digital Learning Initiative where tabs and data packages were presented to support continued education of 100 deserving school children in a pandemic-affected context.
- Kala Pola (Art Fair) events continued to be held virtually with events held in the lead up to Christmas (2021) and Sinhala and Tamil New Year (2022) showcasing 6,415 works of 399 artists to 71,100 unique visitors within and outside Sri Lanka.

Three-year performance indicators:

	2021/22	2020/21*	2019/20
Community services and infrastructure projects (Rs.million)	97	51	111
Proportion of purchases from suppliers within Sri Lanka (%)	90	85	79
Community engagement (no. of persons impacted)	1,955,639	756,153	833,234
Sustainability integration awareness (no. of business partners)	89	72	134
Business partners screened for labour, environment and human rights (no. of business partners)	65	74	89
Proportion of labels carrying ingredients used (%)	76	79	80
Proportion of labels carrying information on disposal (%)	89	92	88
Proportion of labels carrying sourcing of components (%)	1	1	1
Monetary value of significant fines* (Rs.)	No significant fines	No significant fines	3,932,051
Proportion of businesses analysed for risk of corruption (%)	100	100	100

Significant fines are defined as fines over Rs.1 million.

The Group did not experience any significant fines or any environmental levies during the year under review, aside from minor product related fines in the Supermarket business which have been duly addressed and rectified.

The Group prioritised local spending on goods, services, and utilities and 90 per cent of economic value was distributed in this regard. This is derived based on the number of operations, location of revenue generation and location of significant operations. During the year under review, the Group spent Rs.6.6 billion primarily on the purchase of fresh produce for the Consumer Foods and Retail industry groups and Sri Lankan Resorts and Colombo Hotels segments, thereby supporting community suppliers, many of whom are small businesses.

Product Responsibility

As part of the Group's commitment to maintaining the highest quality in its product and service offering, the Group adheres to all legal requirements, both local and international, and stringent quality management processes are in place to ensure the highest quality in processes, responsible marketing and communications and stringent health and safety guidelines for both employees and customers. The Group's affiliation with the certification of ISO 9001, ISO 14001, ISO 22001 and OHSAS 18001/ISO 45001 denotes its commitment in this regard.

Supply Chain Management

The Group's sustainability focus extends beyond the boundary of its own operations and to its value chain. Recognising the importance of collaboration and with a view to create, protect and foster long-term environmental, social, and economic value for all stakeholders, the Group has in place a Code of Conduct that 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. The Group also focuses on encouraging female participation and diversity in all facets of the Group's supply chain, through awareness creation.

With respect to this, the Group works closely with its key suppliers to create awareness and disseminate knowledge on sustainability topics and best practices, with supplier forums being carried out for 89 Group sourced suppliers. Further the Group also carried out assessments on 65 suppliers currently contracted with Group businesses.

The Group Initiatives division further ensures the Group's commitment towards a sustainable value chain by considering social and environmental aspects as a part of assessing tenders and online bids for high value items sourced, in addition to considering price and quality.

Social Responsibility

The Group firmly believes in being a responsible corporate citizen and strives to promote community well-being, social empowerment, and environmental sustainability in order to catalyse empowered communities while actively contributing towards the basic human rights and needs of people.

Execution of the Cooperation Agreement between JKH and IFC for the Street Market Project in Colombo 2.

CSR Focus Area - Livelihood Development

www.johnkeellsfoundation.com

John Keells Praja Shakthi

'John Keells Praja Shakthi' is a business centric, community empowerment initiative, which aims to create shared value amongst communities in the proximity of identified Group businesses. Community interventions are assessed and customised to the needs of each location and planned and implemented in collaboration with the related Group businesses and other relevant stakeholders.

JKF in partnership with the International Finance Corporation, 'Cinnamon Life' and the Urban Development Authority continued efforts to formalise plans for the launch of a 'Street Market' in Colombo 2, as a community livelihoods support initiative with a focus on women.

A ground assessment was conducted on street vendors at Galle Face in collaboration with Public Health Inspectors of the Colombo Municipal Council (CMC), OCTAVE and university students to identify gaps and related training and development needs. An assessment report including recommendations was developed towards discussing collaborative action plans with the CMC.

In addition to the above, there were various initiatives conducted in liaison with Group businesses, which are discussed in the Industry Group Review section of this Report.

Youth and Child Development

- JKF in partnership with ChildFund Sri Lanka (CFSL) and the University of the Visual and Performing Arts rolled-out a series of aesthetic workshops at the De Mel Park Community Centre in Colombo 2 to uplift the mental health of youth affected by the pandemic. A total of 10 workshops were conducted during the reporting year benefiting 76 children and youth of Colombo 2. CFSL in collaboration with JKF and the Charity Commissioner of the Colombo Municipal Council also undertook the establishment of a Child Resource Centre at the Community Centre which is aimed at promoting online learning, book

Social and Relationship Capital

reading and reference and skill development activities. The CRC will be officially launched for community activities on completion of fit-out and furnishing work.

- A Youth Career Skills and Opportunities Programme was organised in Ranala in collaboration with CCS, 'Cinnamon Hotels & Resorts', Supermarket business and the Ranala Divisional Secretariat empowering 15 local youth with practical learning and exposure opportunities at the CCS factory in Ranala, Supermarket business and Colombo Hotels.

Gender Empowerment

JKF continued strategic support for women entrepreneurs under 'John Keells Praja Shakthi' through ongoing needs assessments, capacity development and market linkages including the following activities, which are perceived to be of particular support to the beneficiaries under the respective initiatives in the post-pandemic and socio-economic challenges prevalent during the reporting year:

- Market access for members of the 'Batawela Ranliya Women's Society of Ranala' in collaboration with CCS, JMSL and the Divisional Secretariat of Kaduwela. Following JKF's interventions and market facilitation for the Vesak lantern initiative, the women were able to earn an additional income of ~Rs.16,500 per person. JKF and CCS will continue to support these women to increase their production capacity and market access towards becoming independent and self-sustained entrepreneurs.
- Supporting business registration, capacity development and sustainable markets for members of 'Hikka Batiks' in Hikkaduwa in collaboration with 'Hikka Tranz by Cinnamon' and WTL. Following JKF's interventions and market facilitation, the women were able to earn an additional income of Rs.31,868 per person in the reporting year.
- Following needs assessments, JKF initiated community livelihood initiatives in Ja-ela towards enhancing production capacity in dairy farming and production of spices, in collaboration with KFP PLC and Supermarket business.

Launch of the pilot project of the 'John Keells Praja Shakthi' Digital Learning Initiative to facilitate the continued education of 100 disadvantaged students in Colombo and Ranala affected by the pandemic and other challenges.

CSR Focus Area : Education

www.johnkeellsfoundation.com

Digital Learning Initiative

JKF launched the pilot project of 'John Keells Praja Shakthi' Digital Learning Initiative in Ranala and Colombo 2. The project aims to facilitate continued education of disadvantaged school children preparing for public examinations amid the pandemic and other challenges in the country.

A total of 100 Samsung A8 tabs and data packages were awarded to selected Ordinary Level and Advanced Level students in 'John Keells Praja Shakthi' locations in Colombo 2 and Ranala for the duration of the respective course of study. JKF is partnered in this initiative by Deutsche Bank as co-funder, JKOA and Dialog Axiata PLC as the suppliers of devices and data packages respectively at concessionary rates whilst CCS and 'Cinnamon Grand' were the venue partners for the events in Ranala and Colombo respectively. JKF also developed and initiated a monitoring mechanism for this pilot initiative.

English Language Scholarship Programme (ELSP)

ELSP continued for the 18th successive year offering scholarships to improve English and IT skills of disadvantaged school children under its sustained programme 'English for Teens'.

653 students from 20 locations were offered scholarships under Tier 1 of the scheme during the 2021/22 financial year. Classes were held both virtually and physically while abiding by pandemic-related health protocols.

Launch of John Keells Praja Shakthi Digital Learning Initiative in Colombo.

Meanwhile, the first speech competition which was organised for the Tier 2 students was conducted virtually with the participation of 134 students who demonstrated commendable skills and confidence.

Skill into Progress (SKIP)

JKF continued its initiative to support the Group's supply chain management called 'Skill into Progress' (SKIP) aimed at upskilling identified supplier groups. The customised industry-related English proficiency programme conducted in collaboration with the Destination Management business was completed by 40 Chauffeur guides of Walkers Tours and Whittals Boustead, demonstrating commendable skills and confidence levels.

Higher Education Scholarship Programme

During the reporting year, 37 Advanced Level students and 22 university students were provided scholarships under this programme which is aimed at encouraging youth from under-served communities to pursue their higher education.

CSR Focus Area – Health

www.johnkeellsfoundation.com

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 combating gender-based violence and child abuse through education, capacity building, social sensitisation and advocacy programmes - continued to make strides in the year under review. Key activities included the following:

- The annual public awareness campaign against gender-based violence, which focused on domestic violence in response to a reported surge in complaints during the pandemic, was conducted in commemoration of the International Day for the Elimination of Violence against Women, for the sixth successive year. The campaign, themed 'Break the Silence', comprised a cross-sectoral panel discussion which aired during prime time on a premier television channel and a two-week long social media campaign with an estimated cumulative reach of over 1,480,764 persons.

- Staff sensitisation continued through virtual awareness sessions conducted at Group induction programmes, an interactive e-learning assessment and a refresher programme for 16 pre-trained master trainers on Child Protection from 'Cinnamon Hotels & Resorts' impacting a total of 1,095 Group personnel.
- External awareness on gender-based violence was conducted for a total of 298 undergraduates of the Universities of Ruhuna and Sri Jayewardenepura, in partnership with the respective Universities and facilitated by Group trainers.
- An islandwide art competition was organised to commemorate National Children's Day and to raise public awareness on Child Protection targeting children aged 7-12 in two groups, generating 518 entries from all 9 provinces. The campaign was also promoted on social media platforms reaching over 5,700 persons.

Substance Abuse Prevention

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 conducted awareness creation among the early childhood development sector in collaboration with the Ja-Ela Divisional Secretariat, Humedica Lanka, KFP and Supermarket business, benefiting a total of 48 Government officials including DS subject staff, Grama Niladhari, representatives from the Provincial Education Department and community police.

In commemoration of the 'International Day Against Drug Abuse and Illicit Trafficking', JKF launched a week-long social media campaign in collaboration with the National Dangerous Drugs Control Board (NDDCB) to raise public awareness in keeping with the theme 'Share Facts on Drugs, Save Lives', reaching over 5,700 persons. JKF also sponsored prizes for the 9 first place winners of an all-island art and essay competition organised by the NDDCB in collaboration with the Ministry of Education under the Shiksha school-based drug prevention programme in commemoration of the International Day against Drug Abuse and Illicit Trafficking.

CSR Focus Area – Arts And Culture

www.johnkeellsfoundation.com

Kala Pola

'Kala Pola' - Sri Lanka's renowned art fair showcasing and promoting visual art - continued to promote artists through virtual events hosted in the lead up to Christmas and the Sinhala and Tamil New Year seasons, due to pandemic related restrictions.

Conceptualised by The George Keyt Foundation and funded and organised by the John Keells Group, both events were hosted on JKF's digital platform www.srilankanartgallery.com showcasing a cumulative total of 6,415 works of art from 399 artists. The events attracted over 71,100 unique visitors with over 520 pieces of art sold online or commissioned.

Through a strategic partnership with JKF, Nations Trust Bank PLC introduced a QR Code-based payment gateway on the Sri Lankan Art Gallery website, whilst offering an exclusive preview to its private banking customers ahead of the public event.

As a means of enhancing visitor experience and knowledge creation, the month-long Christmas edition featured interactive events including a collector's guide on starting and adding to a collection, a children's arts and crafts workshop, and a panel discussion titled 'Sri Lanka to the World Stage'. During the Sinhala and Tamil New Year Edition, a video was produced to showcase the life and works of renowned Sri Lankan artist, Pradeep Thalwatta, which was subsequently broadcast on JKF's social media platforms.

Digital Art Gallery

JKF continued to maintain and improve Sri Lankan Art Gallery (www.srilankanartgallery.com) which serves as an online platform for local artists to showcase their work all year-round whilst sustaining and enhancing the interest of art patrons. The site continued to gain traction during the year under review, catalysed by the two virtual Kala Pola events hosted on the site. As at 31 March 2022, 1,415 artists were registered with the Sri Lankan Art Gallery displaying a total of 11,702 works of art. 41,610 persons visited the site, which was an increase of 69 per cent against 2020/21.

Gratiaen Trust

JKF continued its primary sponsorship of the Gratiaen Trust (GT) to recognise, promote and nurture Sri Lankan authors writing in English, or undertaking translations of Sinhala and Tamil literature into English, residing in Sri Lanka. Key activities reported for the year under review included:

- The annual Gratiaen Prize 2020 and the H.A.I. Goonetileke Prize for Literary Translation were held virtually due to COVID-19 restrictions, recording 75 entries for the Gratiaen Prize and 10 entries for the H.A.I. Goonetileke Prize, with a reach of over 5,700 people. The online event enabled GT to reach a wider audience within and outside of Sri Lanka whilst recognising Sri Lankan authors residing in the country.
- An online creative writing workshop was organised in commemoration of Children's Day to encourage young readers and writers. 73 children participated in these sessions which featured three Gratiaen Prize winning authors: Lal Medawattegedara, Prashani Rambuwella and Delon Weerasinghe.

A Substance Abuse Prevention Awareness programme carried out for Government officers of the Ja-Ela DS Division.

Capital Management Review

Social and Relationship Capital

Museum of Modern and Contemporary Art (MMCA)

JKF continued as major benefactor 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. Key activities conducted during the year under review:

- MMCA launched its second exhibition titled 'Encounters' at the museum's new venue at Crescat Boulevard. The artworks that were showcased as part of 'Encounters' included selected paintings drawn from the John Keells and George Keyt Foundation Collections, providing the public with a rare opportunity to view artwork from two of the country's prominent collections of art. The exhibition covered over 13 artworks by 8 artists across different generations recording a footfall of 2,843.
- MMCA organised many training and livelihood development programmes and activities to build capacity in the museum sector in Sri Lanka.
- MMCA continued its contribution to supporting both the State and private education sectors, through lectures and teaching sessions at schools and universities, benefiting a total of 58 students.
- Throughout the year MMCA carried out several social media campaigns and print publications with a total reach of 32,185.

Aluwihare Heritage Centre (AHC)

During the year under review, JKF continued its 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 the Matale District.

This involved developing a repository of the work of the late Ena De Silva which included photographing 547 original designs and developing a digital database for tracings. Increasing the economic viability of the Centre has been another main objective of AHC, and to this end various initiatives to spearhead sales and increase awareness were rolled-out.

Restoration of the George Keyt Art Collection

During the year under review, JKF initiated the restoration of the George Keyt Collection under JKH's patronage as a means of conserving the legacy of Sri Lankan art at JKH in consideration of a 7-year (renewable) loan arrangement with The George Keyt Foundation. Restoration work on two George Keyt paintings was completed in the reporting period and released for display at the MMCA's 'Encounters' exhibition.

Guided tour at MMCA's 'Encounters' exhibition.

CSR Focus Area - Disaster Relief

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JKF undertook the following disaster relief activities during the year under review:

- As part of its continued response to COVID-19 and enhancing the capacity of Government hospitals, JKF donated nebulisers and nebuliser kits to the Ministry of Health, a wall oxygen system to the Nawagamuwa Divisional Hospital in collaboration with CCS and a multipara monitor to the COVID-19 treatment centre at the Mullaitivu Puthukkudiyiruppu Divisional Hospital in partnership with ChildFund's 'Sri Lanka Gives Back' campaign.
- Essential consumables were donated to the Colombo North Teaching Hospital.
- Dry rations were distributed among low-income earners in Kalutara District in the aftermath of the monsoon floods.
- JKF also funded the cleaning of 29 wells of tea smallholders in Halwitigoda, Hingalgoda and Kurupanawa in collaboration with Tea Smallholder Factories PLC, directly benefiting 200 persons.

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

John Keells Foundation | The CSR entity of the John Keells Group

JKF continued as major benefactor 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.

Intellectual Capital

The Group's intellectual capital is a primary contributor to its earning potential, productivity, and long-term sustainability. It is a source of competitive advantage in a fiercely competitive environment, and is pivotal to sustainable value creation across the Group. The Group strives to continuously innovate, adapt to the dynamic digital era through advanced technology and data analytics, leveraging on the skills and knowledge of its employees in a bid to grow its Intellectual Capital base.

Focus areas and priority SDGs under Natural 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) entered into its first Technology License agreement to commercialise JKR's proprietary Silmetic™ technology, which will be exclusively utilised to develop a range of antibacterial skin care products.
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 its transformation journey in collaboration with a global consulting firm to develop, pilot and roll-out a series of use cases, where preliminary results are promising.
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.	To develop internal capability, OCTAVE continued to expand its team of advanced analytics professionals.
17 Partnerships for the Goals Explore opportunities both locally and globally to commercialise existing technology and continue to develop potential solutions to dynamic business needs which could lead to contemporary business models.	John Keells X continued to monitor and support its current portfolio of start-ups through seed funding, mentoring, training, access to Group networks and support services.

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 enhance the Intellectual Capital base of the Group.

JKR entered into its first Technology License agreement to commercialise JKR's proprietary Silmetic™ 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.

During the year, JKR relocated its offices and laboratories from the Technology Incubation Centre to the second hexagon of the Nanotechnology and Science Park at the Sri Lanka Institute of Nanotechnology. The new facility will enhance JKR's capabilities in conducting commercially viable projects in the core areas of composites, energy storage, biomaterials and mechatronics.

JKR was involved in the following projects during the year under review:

- JKR entered into its first Technology License agreement to commercialise JKR's proprietary Silmetic™ technology, which will be exclusively utilised to develop a range of antibacterial skin care products.
- John Keells research took part in the 'Karmantha 2022' exhibition which was organised by the Industrial Development Board in Sri Lanka, where JKR presented its technology for developing Aqueous Graphene Oxide Solutions.
- For the fourth consecutive year, JKR was selected to participate in the 'Enabling IP Environment Project' conducted by the World Intellectual Property Office (WIPO). Under the programme, for a period of six months, JKR received mentorship from WIPO nominated experts on commercialisation efforts relating to one of its projects.

JKR filed for a trademark application at National Intellectual property office (NIPO) in Sri Lanka to register its official logo.

Capital Management Review

Intellectual Capital

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 and open innovation programme, provides a channel for the Group's businesses to support and collaborate with the start-up ecosystem of Sri Lanka by creating a unique platform for disruptive and innovative technology-based businesses and solutions. JKX provides support in the form of seed funding, mentoring, training, access to Group network and support services, and other resources.

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

- JKX launched 'JKX 4.0' in December 2021, introducing three unique programme tracks to cater to the varying needs of the startup ecosystem.
    - JKX Accelerate is the standard accelerator program as done in the past, which provides required support for early stage technology startups.
    - JKX Innovate is an open innovation programme, which gives startups the opportunity to co-create solutions with the Group's businesses, for pre-defined problem statements.
    - JKX Elevate is an opportunity for technology scale-ups to pitch for growth capital and requisite support.
- The JKX Accelerate program accepted 25 startups into its pre-accelerator program, out of which up to seven startups will be selected for funding and support. 10 startups have been identified for the JKX Innovate programme and they will actively work with the problem owners to co-create feasible solutions.
- JKX portfolio start-ups remained resilient during the year under review despite the challenging business environment, with some demonstrating encouraging performance, particularly on user and revenue growth.
- Two JKX portfolio startups were selected for Microsoft's 'Highway to 100 Unicorns' programme.

JKR laboratories at the second hexagon of the Nanotechnology and Science Park at the Sri Lanka Institute of Nanotechnology.

Advanced Analytics Transformation Journey

- The Group's advanced analytics transformation journey continued in collaboration with a global consulting firm. The transformation journey aims to address key business challenges through the deployment of advanced analytics solutions or use cases, whilst driving the adoption of a greater degree of data driven decision-making in day-to-day operations of businesses across the Group. OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group, now constitutes a well-established team of data scientists, data engineers, visualisation analysts and analytics delivery professionals.
- As noted in the 2020/21 JKH Annual Report, work on a series of advanced analytics use cases in the Retail, Consumer Foods and Financial Services industry groups yielded promising results, with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. As in the previous financial year, the effects of the COVID-19 pandemic on business operations necessitated a review of the timing of piloting and rolling out of some use cases. However, despite these challenges, several use cases in the Retail industry group and the Beverages business of the Consumer Foods industry group were successfully piloted, scaled and deployed.
- Initial assessment of the business impact of these use cases or advanced analytics solutions, post roll-out and complete business wide adoption, provides strong indication that the anticipated benefits that were evident through initial pilot projects can be sustained at scale. As such the benefits of the rolled-out use cases, along with the anticipated benefits of the piloted use cases continue to be incorporated into future budget plans.
- During the period under review, OCTAVE also commenced work on use cases in the Frozen Confectionery and Beverage businesses and on use cases in the Leisure industry group. Data governance practices which were institutionalised across the Supermarket, Insurance, Beverages and Frozen Confectionery businesses have now been extended to the Leisure industry group during the year under review, with defined roles being staffed by trained resources and milestones set for governing of 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 180 team members in the Group in the functioning of advanced analytics roles at OCTAVE and within the businesses. In the year under review, OCTAVE led the independent development of a larger number of use cases, with moderate supervision from the global consulting firm. Such independent implementation and delivery of use cases is aimed at institutionalising capability and sustaining a strong advanced analytics practice in the Group. The capability of the division was reinforced further with sustained hiring of advanced analytics professionals.

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
Ports and Shipping
Transportation

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
Stock Broking

Other, incl. Information Technology and Plantation Services
Insurance
Banking
Stock Broking

JKR relocated its offices and laboratories from the Technology Incubation Centre to the second hexagon of the Nanotechnology and Science Park at the Sri Lanka Institute of Nanotechnology.

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 basis through South Asia Gateway Terminals (SAGT).
- Development of a container terminal for operation in the Port of Colombo as a public-private partnership on a build, operate and transfer basis through the West Container Terminal-1 (WCT-1).
- Associate stake in Maersk Lanka, the agents in Sri Lanka and the Maldives for the Maersk Line.
- Shipping agency and maritime services through Inchcape Mackinnon Mackenzie Shipping (Private) Limited (IMMS), a joint venture with Inchcape Shipping Services.

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 flight operations under the brand, 'Cinnamon Air'.
- Freight forwarding and customs brokerage through Mack International Freight (MIF).

Contribution to the John Keells Group

18% Revenue

3% EBIT

5% Capital Employed

5% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	38,621	23,941	61	24,687
Total equity	18,962	18,291	4	17,832
Total debt[1]	12,680	3,663	246	4,402
Capital employed[2]	31,751	22,118	44	22,237
Employees (No.)[3]	538	512	5	732

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover[4]	43,877	26,584	65	33,439
EBIT	583	3,347	(83)	4,178
PBT	1,015	3,343	(70)	4,087
PAT	733	3,246	(77)	3,962
EBIT per employee	1	7	(83)	6
Carbon footprint (MT)	4,451	2,557	74	9,261

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 reached a record level of USD 28.5 trillion in CY2021, which is a 25 per cent increase in comparison to CY2020 and a 13 per cent increase relative to pre-pandemic levels in CY2019 as per the United Nations Conference on Trade and Development (UNCTAD).
- The positive trend in international trade in CY2021 was primarily driven by easing of pandemic restrictions, increases in commodity prices and a strong recovery in demand due to various economic stimulus packages across the globe.
- The volume of merchandise trade, measured by the average of exports and imports, rose by 10 per cent in CY2021. Based on the value of merchandise trade, this was at USD 22.4 trillion, a 26 per cent increase against the previous year.
- The adverse effects of the Russia-Ukraine crisis were evident towards the end of the year under review. To this end, the World Trade Organisation (WTO) revised its CY2022 trade forecast downwards to 3.0 per cent from 4.7 per cent previously.

Port of Colombo (POC):

- The POC handled 7.4 million twenty-foot equivalent units (TEUs) in 2021/22, an 8 per cent increase in TEUs handled against the previous year [2020/21: negative 6 per cent]. The growth was primarily due to a resumption of activity post the pandemic and easing of global supply chain constraints.
    - Domestic TEU volumes increased by 10 per cent during 2021/22 [2020/21: negative 14 per cent] driven by an uptick in export volumes in comparison to the previous year, which was largely affected by the pandemic, despite the continuing restrictions on select imports.
    - Transshipment volumes increased by 8 per cent in 2021/22 [2020/21: negative 4 per cent]. India continued to be the primary transshipment market for Sri Lanka, accounting for ~70 per cent of volumes.
    - Domestic: transshipment mix stood at 16:84 for 2021/22 in line with 2020/21.
    - Overall port capacity utilisation was ~86 per cent for 2021/22 [2020/21: 85 per cent].
- Capacity enhancements at the POC:
    - The build, operate and transfer (BOT) agreement for the development of the West Container Terminal (WCT-1) was signed on 30 September 2021 for a lease period of 35 years between the Sri Lanka Ports Authority (SLPA) and Colombo West International Container Terminal (Private) Limited (CWIT). The development and operation of the WCT-1 was identified as a Strategic Development Project (SDP) with the requisite gazettes being issued on 30 July 2021 and 15 November 2021.
    - The construction on the East Container Terminal (ECT) recommenced in January 2022. The ECT extends across 75 hectares and will consist of a total quay length of 1,320 meters, of which 440 meters was constructed in CY2015. The construction of the ECT terminal will be conducted in three phases and is scheduled to be completed by CY2024. Once completed, the SLPA will operate a fully-fledged terminal equipped with 14 shore-to-shore (STS) cranes and 40 automated rail mounted gantry (RMG) cranes.
- The SLPA conveyed its intention to develop the Trincomalee port as an industrial port and intends on calling for expressions of interest (EOIs) from potential local and international investors in CY2022.
- In July 2021, the Colombo International Container Terminal (CICT) proposed setting up a cargo services centre at the POC for an investment of USD 200 million through a public-private partnership (PPP), with the goal of increasing market share in Asia and strengthening regional presence.
- The Jaya Container Terminal (JCT) oil bank operated by the SLPA increased its storage capacity during the year by completing the construction of a 3,200 MT fuel oil storage tank.

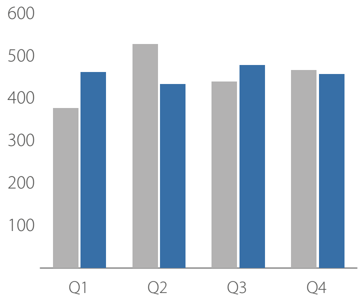
Key Policy and Regulatory Highlights

- The Budget 2022 announced the intent to develop the Trincomalee port as an industrial port, whilst the Galle, Hambantota and Colombo ports would be developed as a tourist port, a service port, and as an entrepot hub, respectively.
- Proposals are underway to transform the Colombo International Airport in Ratmalana to an international airport to accommodate low cost flights. At present, this airport operates regional flights. Accordingly, the departure tax at the Colombo International Airport in Ratmalana was reduced by 50 per cent to entice low-cost carriers to Sri Lanka. This concession is effective from 27 March 2022 for a period of one year.
- In April 2022, the SLPA advised shipping lines to remit payments in US Dollars with effect from 1 June 2022 onwards.

Transportation

Insights

SAGT volumes (TEU '000s)



Domestic:Transshipment volumes

	Q1	Q2	Q3	Q4
2021/22:	16:84	13:87	13:87	14:86
2020/21:	10:90	11:89	14:86	16:84

■ 2020/21 ■ 2021/22

- The recovery momentum continued in the first quarter mainly driven by an 84 per cent increase in domestic volumes. It is noted that the operations in the months of April and May in the previous year was significantly impacted by the onset of the pandemic, as well as reduced vessel movement from Indian ports.
- During the second quarter, SAGT witnessed a decline in volumes, in line with the overall market, due to disruptions in global vessel movement.
- Volumes noted an improvement in the third quarter, both against the previous quarter of the same financial year and the corresponding quarter of the previous financial year. However, it is noted that the third quarter of 2020/21 included the impact on account of a resurgence in travel restrictions, and a brief industrial disruption which affected operations for a few days, which adversely impacted volumes.
- Volumes declined marginally by 2 per cent in the fourth quarter of the year, primarily on account of domestic volumes decreasing by 14 per cent on account of the challenging macroeconomic environment, whilst transshipment volumes were flat in comparison to the fourth quarter of 2020/21.

Ports and Shipping

South Asia Gateway Terminal

During the year under review, the Group's Ports and Shipping business, SAGT, recorded a marginal 1 per cent growth handling 1.8 million TEUs [2021/22: 1.8 million TEUs] in comparison to the decline of 12 per cent in volumes recorded in 2020/21. Domestic volumes increased by 8 per cent in comparison with the previous year whilst transshipment volumes at SAGT were flat against 2020/21.

Macroeconomic challenges in terms of sourcing fuel, gas, electricity, and outsourced services such as lashing, inter and intra trucking costs materialised towards the latter end of the year under review exerting pressure on business performance.

Refer Outlook section for the envisaged impact of the ongoing macroeconomic crisis - page 136

During the year under review, SAGT successfully completed the hybrid conversion project where 22 rubber tyred gantry (RTGs) cranes were installed with hybrid engines. This contributed to a 50 per cent reduction in its fuel consumption and enabled the business to meet its commitment of reducing fuel emissions as a part of its ongoing sustainability programme. SAGT also augmented its digitisation strategies by being the first port in the POC to fully automate the import clearance process.

Colombo West International Container Terminal

Colombo West International Container Terminal (Private) Limited (CWIT), the project company for the development of the WCT-1 was incorporated in April 2021. Subsequently, the BOT agreement was signed on 30 September 2021 between the SLPA and CWIT for the development of the WCT-1, for a lease period of 35 years.

The work progressed well towards meeting the conditions precedent stipulated in the BOT, including work towards project design and costs and other structuring arrangements, and the WCT-1 site was handed over in February 2022 for the commencement of construction. The project was granted SDP status by gazettes issued in June and November 2021. The debt funding for the project was also secured and financing documents were executed. In May 2022, CWIT mobilised a temporary site office to initiate development activities and is currently evaluating the civil and equipment bids received from international contractors and suppliers.

The WCT-1 is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and has an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 600 meters, is slated to be operational within a period of ~24 months. The remainder of the terminal is expected to be completed within a further period of ~24 months. The total project cost is envisaged to be ~USD 650 million with a debt to equity mix of ~70:30. The JKH equity commitment is estimated at USD 70 million of which ~USD 10 million has already been infused into CWIT, with the remainder to be infused on a staggered basis over the project construction period.

The WCT-1 site was handed over in February 2022 for the commencement of construction.

Inchcape Mackinnon Mackenzie Shipping

As noted in the JKH Annual Report 2020/21, in January 2021, Mackinnon Mackenzie and Company (Shipping) Limited (MMS) entered into a joint venture agreement with Inchcape Shipping Services Group Holdings Limited (Inchcape), a leading maritime services provider and one of the largest independent shipping agency networks in the world.

The newly formed entity, Inchcape Mackinnon Mackenzie Shipping (Private) Limited (IMMS) commenced operations on 1 July 2021 and is currently active at all ports and territorial waters of Sri Lanka with offices based in Colombo and Hambantota. IMMS provides a range of maritime services in Sri Lanka which includes port agency, husbandry, crew logistics services and offshore services, amongst others. The business recorded an encouraging performance driven by the easing of pandemic related restrictions. It should be noted that industry performance was below pre-pandemic levels on account of restrictions on ship crew movements during certain periods of the year under review. However, with the relaxation of restrictions and extension of certain flexibilities to agents by the Government, such as the ability to carry out independent operations, the business witnessed an increase in the number of inquiries received. Prudent cost management also aided the business in maintaining margins during the year under review.

Maersk Lanka

Maersk continued to secure its position as one of the largest shipping lines in the POC. The business performed exceptionally well during the year on account of an increasing customer count, favourable freight rates and an expansion of service offerings to clients.

Maersk continued to secure its position as one of the largest shipping lines in the POC.

Bunkering

The Bunkering business of the Group, Lanka Marine Services (LMS), recorded a 3 per cent growth in volumes, despite the multitude of challenges faced during the year. Whilst the demand for bunker fuel remained steady, a notable increase in fuel oil prices, contributed positively to the margins of the business.

In January 2022, the oil tanker 'Sunny Bay' carrying 13,000 MT of marine gas oil (MGO) was docked at the Port of Hambantota (POH) and became the first vessel to discharge MGO for storage at the port's tank farm. POH's global partner, Sinopec imported its first MGO shipment in January 2022 from which LMS purchased MGO, in addition to the ongoing purchase of fuel oil.

With the easing of pandemic related challenges, the bunker industry experienced a notable growth in volumes and consistent import of cargo by market participants. However, industry bunker volumes are yet to reach to pre-pandemic levels. LMS continued to maintain its market leadership position during 2021/22, with its market share in line with pre-pandemic levels. This compares against the previous year where certain players temporarily withdrew from the market with the onset of the COVID-19 pandemic, whilst LMS continued to operate and thereby was able to command a notable share of the market.

The bunker industry faced numerous challenges in procuring cargo from suppliers and opening letters of credit (LCs) given the challenging macroeconomic environment, especially towards the latter end of the year under review, to which LMS was no exception. Given its relationship with suppliers and financial institutions, LMS has been able to successfully manage this challenge.

During the year under review, disruptions to global trade and lockdowns globally on account of the spread of COVID-19 created severe fluctuations in international oil prices. The business managed to mitigate this impact by implementing well-planned commercial and sales strategies. LMS further strengthened its internal processes by digitising its invoice approval system and demand planning system which led to efficiency gains in operations.

Refer Outlook section for details of the envisaged impact of the ongoing macroeconomic crisis - page 136

Logistics

The logistics arm of the Group, John Keells Logistics (JKLL) expanded its service offerings and customer base across new sectors. During the year under review, JKLL's third party logistics (3PL) business, was able to enhance the storage capacity of its warehouses by 38 per cent, aided by internal optimisation strategies whilst maintaining the footprint in line with 2020/21.

During the year under review, JKLL entered into an agreement with Global Transport Logistics to construct a custom-built state-of-the-art warehouse facility in Raddolugama, spanning across 100,000 sq.ft. and with a storage capacity of 18,000 cubic meters. The project is due to be completed by September 2022.

JKLL continued to digitise and optimise its logistic value chain by leveraging on its newly implemented tier 1 warehouse management system (WMS), which was fully implemented for its key clients during the year. The WMS provides seamless integration and real time information across the value chain for JKLL and its customers to facilitate swift decision-making leading to cost optimisation and increased productivity.

Industry Group Review

Transportation

The management of the warehouse in Kerawalapitiya, held under LogiPark International, was transferred to the Group's Supermarket business during the year under review. The 3PL business recorded a 212 per cent increase in operational throughput (excluding Group business) during the year and further expanded its transportation fleet operations by 33 per cent (excluding Group business). Despite the decline in volumes due to the restriction of imports on account of the ongoing macroeconomic environment, JKLL was successful in penetrating the apparel and tyre industry verticals whilst further expanding into the paints industry. JKLL continued to onboard new clients which resulted in the overall warehouse utilisation at 89 per cent. The two new product verticals launched in 2020/21, container freight station (CFS) in collaboration with Maersk for apparel export consolidation and last mile delivery services with North Seven Trading (Private) Limited performed well during the year under review.

Awards

- Silver award in the 'Warehousing and Distribution - Large' category at the National Logistics Awards 2021 organised by the Sri Lanka Freight Forwarders Association (SLFFA).
- Merit award in the 'Logistics and Transportation' category at the National Business Excellence Awards 2021.

JKLL expanded its service offerings and customer base across new sectors during the year under review.

The 3PL business recorded a 212 per cent increase in operational throughput (excluding Group business) during the year and further expanded its transportation fleet operations by 33 per cent (excluding Group business).

JKLL continued to onboard new clients which resulted in the overall warehouse utilisation at 89 per cent.

DHL Keells

DHL Keells (Private) Limited continued to maintain its market leadership position in 2021/22 despite the challenges encountered. The increase in freight rates as a part of its incremental yield and margin management initiatives was a significant driver of business during the year. Both the corporate segment and the retail segment witnessed growth during the year on account of an increase in demand for e-commerce.

Due to the ongoing macroeconomic crisis, small medium enterprise (SME) customers requested for extended credit terms in order to manage their respective financial obligations, which exerted pressure on the working capital cycle of the business. Despite these circumstances, collection performance at DHL was well controlled and was maintained within targeted indicators.

The business introduced a call centre at airport gateway premises to facilitate customer inquiries and complaints. Additionally, the business also revamped its customs clearance processes, incorporating effective control measures in order to smooth the clearance process which included installation of a new x-ray machine capable of detecting narcotics and explosives in inbound consignments. It is anticipated that this equipment will facilitate faster clearances and shuttle departures from the airport gateway.

Awards

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

- Ranked within the 'Top 40 Best Companies to Work in Sri Lanka – 2021'.
- Gold award – 'Multinational Companies' category.
- Silver award – 'Medium Sized Organisations' category.
- Bronze award – 'Customer Service Department of the Year' at Stevie Awards 2021.

DHL was ranked within the 'Top 40 Best Companies to Work in Sri Lanka – 2021' by 'Great Place to Work'.

Airlines and Other

Businesses within the Airline segment continued to be significantly impacted by the lacklustre performance in tourist arrivals. Whilst this was more pronounced in the first half of 2021/22, the segment witnessed an encouraging recovery towards the latter end of the year under review, in tandem with the revival of the tourism industry.

The domestic airline 'Cinnamon Air' declared open a new aircraft maintenance hangar at the Bandaranaike International Airport (BIA) in December 2021. The new hangar is located alongside the exclusive domestic passenger terminal at the BIA, which makes 'Cinnamon Air' the only domestic airline to have a dedicated terminal and an aircraft maintenance hangar within the premises of BIA which will lead to cost efficiencies and improved productivity of maintenance, engineering, and flight operations divisions.

Although operations were resumed in April 2021 after grounding flights for most parts of 2020/21, 'Cinnamon Air' had to ground its flights once again on the back of inter-provincial travel restrictions and rapid increase of COVID-19 cases in the first half of the year. Post this, 'Cinnamon Air' resumed operations once again from August 2021 onwards limiting its service offerings to charter flights whilst temporarily suspending schedule flight services. On the back of the encouraging recovery in tourism witnessed from December 2021 onwards, the airline observed a positive build up in demand for charter flights and operated an average of ~80 charter flights per month from mid-December till end-March 2022. The scheduled flight operations which were suspended in March 2020 on account of the pandemic recommenced operations from May 2022 onwards.

'Cinnamon Air' declared open a new aircraft maintenance hangar at the BIA in December 2021.

The rebound in international flight frequencies resulted in cargo operations returning to pre-pandemic levels. Against this backdrop, operations at MAL improved significantly with increased flight frequencies, enhanced relationships with airlines and new product offerings. However, foreign currency remittances due to principals were affected by constraints in the foreign exchange market and the notable depreciation of the local currency which adversely affected all segments of traffic originating from Sri Lanka, particularly in the fourth quarter. MAL continued its promotional campaigns by using its extensive database to communicate key pricing information to its customers.

Refer Outlook section for the envisaged impact of the Russia-Ukraine crisis on the Airline business - page 136

MTL experienced a recovery in operations in tandem with the relaxation of restrictions, such as in the issuance of visas, border closures and mandatory quarantine requirements. Operations continued from a 'work from home' basis further supporting cost savings. Devaluation of the local currency and restrictions in foreign currency transfers to airline principals have led to an increase in airline ticket prices which may adversely impact ticket sales originating from Sri Lanka.

MIF onboarded new customers under both the air and sea freight verticals during the year under review, despite the challenges on account of import restrictions and foreign exchange constraints.

Awards

- Bronze award under the 'Customs House Broker' category at the National Logistics Awards 2021 organised by the Sri Lanka Freight Forwarders Association (SLFFA).

'Cinnamon Air' fleet of Cessna Caravans.

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	2021/22	2020/21	%
Revenue*			
Transportation	34,788	19,476	79
Ports and Shipping	9,089	7,108	28
Total	43,877	26,584	65

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

Transportation

- The Group's Bunkering business recorded an 86 per cent increase in revenue due to increases in base oil prices for bunker fuel. LMS onboarded new customers by directly liaising with vessel owners and charterers which amounted to ~38 per cent of revenue.
- The Bunkering business accounts for ~95 per cent of the revenue composition within the industry group, excluding equity accounted investees.
- The Logistics business recorded a 100 per cent increase in revenue during the year under review, driven by new client acquisitions and increased throughput across facilities.
- The Airline businesses also witnessed a rebound in operations with the resumption of tourism which led to an increase in revenue during the year under review.

Ports and Shipping

- The increase in revenue in the Ports and Shipping sector is mainly attributable to SAGT which recorded an encouraging growth on account of ancillary operations at the POC, despite a marginal volume growth of 1 per cent.
- The devaluation of the local currency coupled with increased service offerings at Maersk resulted in a 100 per cent revenue growth during the year under review.
- With the commencement of operations on 1 July 2021, IMMS also contributed to the topline of the Ports and Shipping sector.

Rs.million	2021/22	2020/21	%
EBITDA*			
Transportation	1,854	1,202	54
Ports and Shipping	(1,011)	2,408	(142)
Total	843	3,610	(77)
PBT**			
Transportation	2,025	935	117
Ports and Shipping	(1,010)	2,408	(142)
Total	1,015	3,343	(70)

** Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

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

Transportation

- The Group's bunkering business, LMS, recorded an 82 per cent increase in EBITDA during the year under review due to higher margins.
- A general provision for taxes was made at LMS, as a measure of prudence, in line with the higher operational activity and the current tax positions which are being appealed.
- Recognition of an impairment loss at Saffron Aviation (Private) Limited (SAL), the operating company of 'Cinnamon Air', given the multiple set-backs faced in the recent years from the Easter Sunday attacks in CY2019, and the subsequent pandemic driven impacts on tourism, and operating conditions.
- With the exception of 'Cinnamon Air', the other Airline businesses recorded a notable increase in profitability, in line with revenue growth.
- Despite the substantial increase in revenue, JKLL recorded a 20 per cent decline in EBITDA due to an increase in staff related costs on account of COVID-19 and volatile economic conditions.
- Similarly, whilst DHL Keells also recorded an encouraging growth in revenue, the EBITDA of the business was impacted due to the exchange loss arising on the accumulated network fee payable.
- Finance costs at LMS and JKLL increased on account of working capital facilities obtained during the year under review.

Ports and Shipping

- The decline of profits in the Ports and Shipping sector is due to a goodwill impairment at SAGT arising from the difference of the original investment and carrying value of the investment which was recorded in 2021/22 in lieu of the upcoming transfer of SAGT based on the 30-year build, operate and transfer (BOT) agreement with the Government.
- Maersk recorded a 49 per cent growth in EBITDA during the year under review [2020/21:16 per cent].

The recurring EBITDA of the industry group, post adjusting for the aforementioned impairment loss at SAL, the goodwill impairment at SAGT and the turnover tax provision at LMS stood at Rs.6.14 billion, a 70 per cent increase against the previous year [2020/21: Rs.3.61 billion].

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Debt*			
Transportation	12,680	3,663	246
Ports and Shipping	-	-	-
Total	12,680	3,663	246

**Excludes lease liabilities.*

- The increase in debt in the industry group is mainly attributable to an increase in short-term borrowings at LMS in order to manage working capital requirements.
- Lease liabilities as at 31 March 2022 stood at Rs.109 million [2020/21: Rs.164 million]. Total debt including leases stood at Rs.12.79 billion as at 31 March 2022.

Natural Capital

The industry group continued to adopt processes on energy management, maintenance of emissions and effluent discharge within acceptable limits whilst operating within international industry standards and other best practices.

Energy and emissions management

Relevance: Financial, regulatory and brand reputation implications

Approach

- Continuous improvements in energy efficiency.
- Alignment with international standards and best practice.
- Ongoing monitoring of performance against energy reduction goals.

Initiatives

- Continuous monitoring of emissions and fuel consumption against established international benchmarks.
- Ongoing use of the Transport Management System at JKLL for route optimisation by efficiently managing fuel usage.

Reduction in energy consumption at JKLL Seeduwa and Enderamulla warehouses:

Energy

Goal	Status
10% ↓ by 2024/25	3% ↓ during 2021/22

Note: In arriving at the status for the year for the indicators, the status disclosed above is reported independently by each year against the goal of the baseline year.

Waste management

Relevance: Financial, regulatory and brand reputation implications

Approach

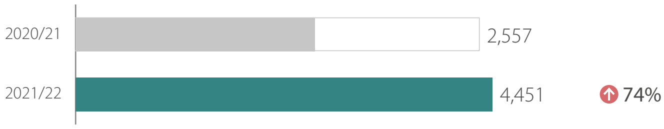
- Segregation, measurement, and management of waste.
- Compliance with all regulatory requirements in relation to responsible waste disposal.

Initiatives

- JKLL conducted two rounds of beach clean-up programmes.
- Plastic waste collection bins were placed by JKLL at the Mount Lavinia beach to manage plastic waste.
- Waste generated through bunkering operations was continuously monitored through a Marine Environmental Pollution Authority (MEPA) certified third party to ensure responsible disposal.
- No significant spillages were reported during the year under review.

Indicators

Carbon Footprint (MT)



Waste Disposed (kg '000)

Carbon footprint scope 1 and 2 per operational intensity factor

	2021/22	2020/21
LMS CO_2 (kg per MT of bunkers sold)	8.1	7.0
JKLL CO_2 (kg per sq.ft. of warehouse managed)	2.0	2.2
Mack Air CO_2 (kg per sq.ft. of office space)	4.1	7.9
MTL CO_2 (kg per sq.ft. of office space)	0.0	0.6
Cinnamon Air CO_2 (kg per flight hour)	3,510.4	2,984.3

Waste generated per operational intensity factor

	2021/22	2020/21
LMS waste generated (kg per MT of bunkers sold)	0.6	0.5
JKLL waste generated (kg per sq.ft. of warehouse managed)	0.2	0.3

Continuous monitoring of emissions and fuel consumption against established international benchmarks and ongoing use of the Transport Management System at JKLL for route optimisation by efficiently managing fuel usage.

Human Capital

The Transportation industry group strives to maintain a healthy and safe working environment for its employees across all operations and locations, whilst providing continuous training and awareness creation, with a heightened focus on occupational health and safety. Managing the impacts of COVID-19 and thereby ensuring minimal interruptions to operations is also a key focus area.

Processes introduced to safeguard employees amidst the COVID-19 pandemic were further enhanced during the year under review.

Industry Group Review

Transportation

Talent management

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

Approach

- Attracting and retaining high-potential individuals.
- Developing a resource base of qualified professionals by partnering with universities.
- Localising airline pilot positions.

Initiatives

- Continuous training and skills development of employees through which ~13 hours of training were provided per employee.
- The 15-year strategic collaboration with the Department of Transport and Logistics Management and the Engineering Faculty of the University of Moratuwa, aimed at expanding the country's resource base of professionals in the industry, was temporarily suspended due to the closure of universities and restrictions following the pandemic. The programme is set to recommence in 2022/23.
- During the reporting period, 'Cinnamon Air' was able to remove dependency on expatriate float plane captains and the fleet is now fully operated by local pilots.

Health and safety

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

Approach

- Maintaining health and safety procedures and practices.
- Training and creating awareness.

Initiatives

- LMS and JKLL renewed the ISO 45001: 2018 certification for bunkering and warehouse operations.
- Fire drills and International Convention for the Prevention of Pollution from Ships (MARPOL) compliant oil spill drills were carried out for employees at LMS.
- Bi-annual fire and first aid trainings were conducted in all seven JKLL distribution centres by experienced trainers.
- Regular COVID-19 safety awareness sessions and related monthly audits were carried out in warehouses.
- No injuries were recorded during the year under review.

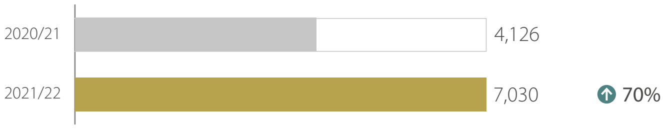
Number of Employees

66
Ports and Shipping

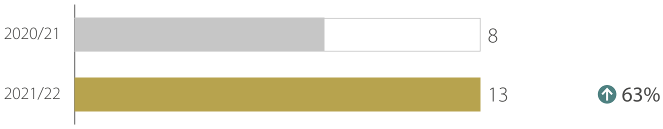
472
Transportation

Indicators

Training (Hours)



Training Per Employee (Hours)



Social and Relationship Capital

The industry group engages with multiple businesses across the country and actioned several initiatives by maintaining mutually beneficial relationships with stakeholders and conducting operations in a socially responsible manner.

Significant Suppliers

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

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

Community engagement

Relevance: Contributes towards building trust and promoting brand image

Approach

- Development of industry specific skills and employability of youth by providing training and employment opportunities.

Initiatives

- In collaboration with the University of Kelaniya, JKLL conducted a career guidance workshop for 350 undergraduates. The long-term objective of the workshop is to develop a resource pool of future professionals in the industry.
- English and Information Technology (IT) scholarships were awarded to 22 high performing students under the 'English for Teens' initiative of John Keells Foundation's English Language Scholarship Programme.

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', 'Feelgood' guilt-free frozen yoghurt range 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.
- '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

9% Revenue

12% EBIT

2% Capital Employed

20% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	19,508	15,914	23	15,489
Total equity	9,531	8,755	9	8,073
Total debt[1]	3,114	2,546	22	3,261
Capital employed[2]	12,792	11,398	12	11,426
Employees (No.)[3]	1,363	1,402	(3)	1,480

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover	21,008	16,510	27	17,004
EBIT	2,516	2,459	2	2,556
PBT	2,347	2,297	2	2,330
PAT	1,925	2,156	(11)	1,644
EBIT per employee	2	2	5	2
Carbon footprint (MT)	19,581	17,619	11	18,357

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

Industry Group Review

Consumer Foods

External Environment and Operational Review

Macroeconomic Update

- Gross domestic product (GDP) in Sri Lanka recorded a 3.7 per cent growth in CY2021, in comparison to a 3.6 per cent contraction recorded in CY2020 primarily due to the impact of COVID-19 in CY2020.
- Headline inflation, as measured by the year-on-year change in the National Consumer Price Index (NCPI), accelerated to 14.0 per cent at the end of CY2021 in comparison to the 4.6 per cent recorded in CY2020, on the back of global and domestic supply side disruptions, global commodity price pressures and upward revisions to administered prices. Average annual inflation was recorded at 7.0 per cent, driven by notable increases in the food category.
- Core inflation stood at 10.8 per cent in December 2021 in comparison to 4.7 per cent in December 2020.
- As at March 2022, the headline inflation and core inflation stood at 21.5 per cent and 17.3 per cent, respectively, mainly due to the higher price levels that prevailed in both the food and non-food categories. Accordingly, the year-on-year inflation of the food category increased to 29.5 per cent in March 2022 from 21.5 per cent in December 2021 and the year-on-year inflation of the non-food category increased to 14.5 per cent in March 2022 from 7.6 per cent in December 2021.
- Private consumption expenditure (PCE) at current prices recorded a notable growth of 10.8 per cent in CY2021, compared to the lacklustre growth of 1.0 per cent in CY2020, primarily driven by an increase in food expenditure.
- The LMD-Nielsen Business Confidence Index (BCI) was recorded at 132 points in March 2022, a 11-month high, with the index edging towards where it stood before the COVID-19 outbreak in March 2021. However, in April 2022, BCI plummeted to 116 points, to its lowest during the year in lieu of the ongoing macroeconomic challenges.
- Exchange rate pressures on the back of a lack of liquidity in the domestic foreign exchange market amplified in CY2021, which led to a measured adjustment in the exchange rate in early March 2022.

Refer External Environment and Outlook sections for the envisaged impact of the ongoing macroeconomic crisis - page 37 and 136

Key Policy and Regulatory Highlights

- Various restrictions were placed on the sale and importation of sugar, including the requirement to produce an import control license (ICL) for the importation of sugar during select periods and a maximum retail price (MRP) of Rs.122 per kg on unpacked white sugar with effect from 2 September 2021 till 3 November 2021.
- The special commodity levy on sugar at 25 cents per kg originally effected in October 2020 was further extended for a period of 6 months commencing from 12 January 2022 onwards.
- The MRP on bottled water was removed with effect from January 2022.
- In August 2021, dairy products containing added sugar and other sweetening materials were made exempt from the ports and airport levy (PAL).
- The price of imported milk powder increased in October 2021 due to price increases in the global market front and freight charges. Subsequently, imported milk powder underwent another upward price revision towards December 2021 and prices are continuously on the rise. The prevailing macroeconomic crisis had led to shortages in imported milk powder, with importers demanding a price hike to reflect global prices.
- In October 2021, MRP on milk products including skimmed milk powder was removed.

As morefully detailed in the ensuing section, the Beverages, Frozen Confectionery and Convenience Foods businesses recorded an encouraging performance aided by a strong recovery in volumes driven by consumer discretionary spending and favourable weather conditions. Albeit off a lower base, given the impact of the pandemic in the previous year, performance towards the latter end of the year under review surpassed that of pre-pandemic levels. However, the latter end of 2021/22 was characterised by significant macroeconomic challenges which exerted pressure on margins, in lieu of:

- A significant increase in global commodity prices coupled with the steep depreciation of the domestic currency led to a sharp increase in raw material prices.
- Import restrictions coupled with foreign exchange liquidity constraints amplified challenges in sourcing raw materials essential for production.
- Intermittent disruptions to power supply and fuel shortages have raised operational challenges, although the businesses have been able to manage the impact thus far successfully.
- A decrease in demand for larger pack sizes as a result of the steep rise in cost of living. The businesses witnessed a shift in demand towards smaller economical packs.

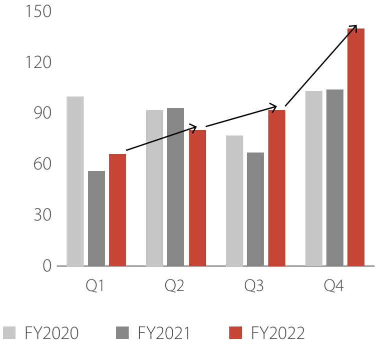
Given the intermittent outbreaks of COVID-19 cases within the country, factories operated under a 'bio-bubble' scheme, particularly in the first half of the year under review, encompassing various health and safety protocols which were gradually relaxed in tandem with the relaxation of regulations and the rapid vaccination drive amongst factory employees. This ensured an uninterrupted supply chain and business continuity despite the rapid outbreak of COVID-19 cases.

Beverages

The Beverages business recorded a strong rebound in volumes despite the challenging operating landscape on the back of the pandemic and rapid escalations in the prices of raw materials. The business recorded a 22 per cent increase in volumes during the year under review [2020/21: negative 16 per cent]. The volume growth was mainly attributable to the performance of the CSD segment which recorded an 18 per cent growth in comparison to the negative growth of 14 per cent recorded in 2020/21 and the water segment which recorded a growth of 80 per cent in 2021/22 [2020/21: negative 31 per cent].

Insights

CSD Volumes
Index: FY2020 Q1 = 100



- The performance of CSD volumes in the first quarter of the current year and the comparative year is somewhat distorted as both periods were affected by lockdowns imposed by the Government on account of the pandemic. However, with the easing of travel restrictions, CSD volumes recorded a strong recovery momentum with an 18 per cent growth during the first quarter of 2021/22 [2020/21: negative 44 per cent].
- The imposition of a quarantine curfew in mid-August 2021 significantly impacted the rebound in volumes witnessed in the first quarter. Accordingly, CSD volumes noted a 14 per cent decrease in the second quarter in comparison to the corresponding quarter of the previous year.
- In the third quarter, the easing of restrictions, rapid vaccination roll-outs and a notable recovery in consumer sentiment resulted in CSD volumes recording a 37 per cent growth in comparison to the corresponding quarter of 2020/21, surpassing pre-pandemic volumes.
- The positive momentum continued towards the fourth quarter of 2021/22 driven by improved consumer demand and favourable weather conditions which resulted in CSD volumes increasing by 34 per cent and 36 per cent in comparison to the fourth quarters of 2020/21 and 2019/20 respectively.
- Since 2015/16, the sales volume for the fourth quarter of 2021/22 was the highest volume recorded.

Inflationary pressure coupled with the steep depreciation of the domestic currency resulted in a notable increase in the prices of raw materials particularly in the second half of the year under review.

Sugar

- 2020/21 vs. 2021/22: ~2 per cent.
- Q3 vs. Q4 2021/22: ~8 per cent.

Packaging

- 2020/21 vs. 2021/22: ~14 per cent.
- Q3 vs. Q4 2021/22: ~2 per cent.

Source: Internal company data

To mitigate some of the input cost pressures, the business undertook price increases in selective stock keeping units (SKUs), entered into forward contracts and booked consignments in advance to secure sufficient stocks in order to sustain production. The pressure on margins was also offset to an extent by the significant operating leverage witnessed from the third and fourth quarter of 2021/22.

Refer Outlook section for the envisaged impact of the ongoing macroeconomic crisis - page 136

Returnable glass bottles (RGB) continued to decline in volumes on account of the change in shopping behaviour of consumers driven by social distancing and remote working practices. However, polyethylene terephthalate (PET) bottles noted a growth. The PET: RGB mix stood at 90:10 during the year under review in comparison to 86:14 in 2020/21.

Current CSD: Non-CSD Volume Mix

86:14

2020/21: 89:11

The business continued its diversification strategy of creating a sustainable balance between its CSD and non-CSD segments. Due to the challenging macroenvironment, the Beverages business withheld from launching new products during the year and carried out product trials to strengthen its product pipeline. A series of new products are set to be launched in the ensuing year, subject to market conditions.

The Beverages business acquired a water manufacturing plant in Kotagala during November 2021 in line with the business's expansion strategy in the water category. This integration augured well with the business achieving over 1 million litres of sales for the month of January in the water category, for the first time in its history. This sales momentum was sustained throughout the fourth quarter as well.

The business continued to implement improvements in the PET production line which resulted in overall equipment effectiveness (OEE) at ~87 per cent which was the highest OEE achieved in the history of the business. As a result, the highest monthly PET production was recorded in March 2022. Accordingly, the business was also able to achieve efficiency gains in relation to changeover time in packaging and production capacity. The business also placed strategic focus on increasing its distribution efficiency through proactive engagement and monitoring of distributors through integrated digital platforms while pursuing route optimisation. A new workflow management system was introduced across the industry group during the year which streamlined manual business processes to ensure optimum efficiency.

The business rolled-out its advanced analytics transformation programme during the year, where several well-defined advanced analytics 'use cases' earmarked for the Beverages business were successfully piloted, scaled and deployed. Preliminary results of these pilot projects are promising, with strong indication that the anticipated benefits that were evident through the initial pilot projects can be sustained at scale.

Awards

- 'Cream Soda' was awarded 'Beverage Brand of the Year' at the SLIM Kantar People's Choice Awards for the 16th consecutive year.

The Beverages business acquired a water manufacturing plant in Kotagala during November 2021 in line with the business's expansion strategy in the water category.

Industry Group Review

Consumer Foods

Frozen Confectionery

The Frozen Confectionery (FC) business recorded an encouraging rebound in operations with volumes increasing by 17 per cent in comparison to the marginal 1 per cent decline in volumes recorded in 2020/21.

The lockdowns imposed in mid-May and mid-August to curb the spread of COVID-19 prompted a higher traction towards in-home consumption with the volumes in the Bulk segment increasing at a faster pace than the Impulse segment during the first half of the year under review. Accordingly, the FC business recorded a Bulk:Impulse volume mix of 70:30. However, with the easing of restrictions, consumption patterns gradually reverted towards the pre-pandemic mix. The Bulk:Impulse volume mix stood at 67:33 for the second half of the year under review.

Bulk: Impulse Volume Mix

68:32

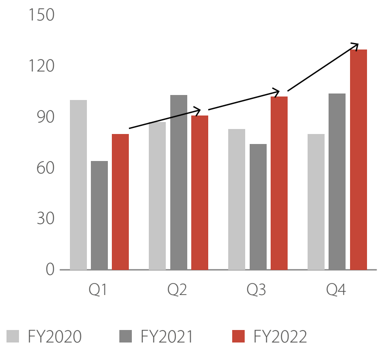
2020/21: 70:30

The strong recovery momentum continued in the fourth quarter resulting in a 25 per cent increase in volumes in comparison to the corresponding quarter of 2020/21.

The FC business recorded its highest monthly sales volume in its history of operations in March 2022.

Insights

Frozen Confectionery Volumes
Index: FY2020 Q1 = 100



- Despite the impact of the lockdown in the first quarter, FC volumes increased by 25 per cent in comparison to the first quarter of 2020/21. It is noted that the comparative quarter was also impacted by movement restrictions.
- The rapid spread of COVID-19 during mid-August hampered the recovery momentum recording a 12 per cent decrease in volumes in the second quarter in comparison to the corresponding quarter of 2020/21.
- Volumes recorded a 37 per cent growth in the third quarter of 2021/22 exceeding pre-pandemic levels on the back of an easing of restrictions and improved consumer sentiment.
- The strong recovery momentum continued in the fourth quarter of the year under review resulting in a 25 per cent increase in volumes in comparison to the corresponding quarter of 2020/21.
- The FC business recorded its highest monthly sales volume in its history of operations in March 2022.

Import and foreign exchange restrictions, and inflationary impacts exerted significant pressure on raw material prices, particularly in the third and fourth quarters of 2021/22.

Skimmed milk powder

- 2020/21 vs. 2021/22: ~24 per cent.
- Q3 vs. Q4 2021/22: ~9 per cent.

Vegetable fat

- 2020/21 vs. 2021/22: ~40 per cent.
- Q3 vs. Q4 2021/22: ~18 per cent.

Fresh milk

- 2020/21 vs. 2021/22: ~18 per cent.
- Q3 vs. Q4 2021/22: ~19 per cent.

Packaging

- 2020/21 vs. 2021/22: ~35 per cent.
- Q3 vs. Q4 2021/22: ~9 per cent.

Source: Internal company data.

In order to manage such impacts, the business undertook price increases in selective SKUs and entered into forward bookings of consignments to manage stock levels to ensure uninterrupted production.

Refer Outlook section for details of the envisaged impact of the ongoing macroeconomic crisis - page 136

The new 'Feelgood' range launched during the year.

Products launched

'Feelgood' Range

The FC business launched the 'Feelgood' guilt-free frozen yoghurt range for customers seeking wellness and balanced lifestyles in December 2021. Initial customer feedback on the products have been very encouraging. The newly launched 'Feelgood' range comprises of:

- **Frozen yoghurt:** Mixed Berry and Tropical Mango
- **No-added sugar ice cream:** Chocolate and Vanilla
- **Popsicles:** 2Bar Mixed Fruit and Vanilla stick and Vanilla Shock stick
- **Tubs and multipacks:** Double Delight 2 litre tub

The distributor management system implemented last year titled 'Surge' performed as envisaged by facilitating real-time sales information and streamlining sales processes. The FC business rolled-out its advanced analytics transformation programme during the year, where two 'use cases' of several well-defined advanced analytics 'use cases' earmarked for the FC business, are currently at a development stage. Further, the new workflow management system implemented during the year executed a seamless execution of transactions which minimised delays and improved efficiencies in new product developments and capital expenditure approvals.

Convenience Foods

Keells Food Products (KFP) recorded a 12 per cent increase in volumes in 2021/22 in comparison to the 6 per cent decline in volumes recorded in 2020/21. The Convenience Foods business remained resilient during the first half of the year under review despite the pandemic imposed challenges, with volumes noting a 30 per cent increase in the first quarter albeit its lower base and flat against the second quarter in comparison to the corresponding quarters of 2020/21. Volumes noted a gradual pickup thereafter aided by a revival in consumer spending and easing of restrictions.

The resumption of tourism and the revival of consumption accelerated production volumes, resulting in the highest annual volume for the year under review and the highest monthly sales volume being produced in March 2022, since inception.

The retail sausages and meatballs categories recorded notable growth in 2021/22, increasing by 16 per cent and 17 per cent, respectively [2020/21: 44 per cent and 20 per cent, respectively]. The highest quarterly volume for retail sausages was recorded originally in the third quarter, and then followed by the fourth quarter of 2021/22. Similarly, the meatballs category achieved its highest volumes in the history of its operations in March 2022.

The business continued to maintain its market leadership position during the year under review. Modern trade accounted for 34 per cent of volumes, whilst the general trade and HORECA channels accounted for 45 per cent and 16 per cent, respectively. The aggressive retail focused drive in the processed meat category resulted in the retail contribution improving to 27 per cent during the year under review [2020/21: 27 per cent].

Given the non-conducive environment in the recent years and limited opportunities to drive market activations, and persistently low volumes on the back of multiple challenges, a decision was taken to discontinue the 'Ezy rice' product.

During the year under review, the Convenience Foods business expanded its portfolio by offering a range of 'value for money' products:

- Launch of the 350g 'Keells Krest Handy Pack' sausages.
- Extension of the soya meat range by launching the 90g 'Cuttlefish' and 'Regular Soya Meat'.
- Extension of the meatballs range with the introduction of the 100g 'Chicken Meatballs Kirata Mirisata'.

Similar to the Beverages and FC businesses, the Convenience Foods business witnessed notable price escalations on the back of the challenging macroeconomic circumstances, especially towards the second half of the year under review.

Chicken

- 2020/21 vs. 2021/22: ~25 per cent.
- Q3 vs. Q4 2021/22: ~11 per cent.

Palm oil

- 2020/21 vs. 2021/22: ~37 per cent.
- Q3 vs. Q4 2021/22: ~5 per cent.

Packaging

- 2020/21 vs. 2021/22: ~26 per cent.
- Q3 vs. Q4 2021/22: ~15 per cent.

Source: Internal company data.

The business adopted price increases across all SKUs during the year under review. Additionally, the business also introduced economic value packs, an aggressive retail drive to ensure availability of products and offered substitute food products. In order to ensure minimum disruption to production, the business entered into forward contracts to secure stocks which aided the business to achieve an all-time high in production during 2021/22.

Refer Outlook section for the envisaged impact of the ongoing macroeconomic crisis - page 136

Meat products under the 'Keells-Krest' and 'Elephant House' brands.

KFP continued to innovate its digital integration by establishing a dedicated power business intelligence (BI) portal to improve sales and distribution of the business. The 5S and Kaizen initiatives were continued during the year driving operational efficiencies. The workflow management system that was implemented during the year facilitated digitised operations ensuring a systematic process in capital expenditure approvals and recipe changes amongst others.

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	2021/22	2020/21	%
Revenue			
Beverages and Frozen Confectionery (FC)	17,588	13,962	26
Convenience Foods	3,420	2,548	34
Total	21,008	16,510	27
EBITDA*			
Beverages and FC	2,953	2,836	4
Convenience Foods	549	485	13
Total	3,502	3,321	5
PBT			
Beverages and FC	1,962	1,984	(1)
Convenience Foods	385	313	23
Total	2,347	2,297	2

** Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

The ensuing discussion aims to provide an insight to the performance of the sectors across the quarters.

Beverages and FC businesses

Beverages and FC	Q1	Q2	Q3	Q4
Beverages (CSD) revenue growth (%)	27	(11)	39	40
Beverages (CSD) volume growth (%)	18	(14)	37	34
FC revenue growth (%)	33	(5)	47	40
FC volume growth (%)	25	(12)	37	25
Beverages and FC EBITDA (Rs.million)	241	502	802	1,407
Beverages and FC EBITDA growth (%)	(39)	(39)	71	22

- Both the Beverages and FC businesses continued their strong recovery momentum recording a strong growth in volumes and revenue in the first quarter. Whilst this growth in volumes and revenue translated to higher gross profits and EBITDA, the first quarter was impacted on account of higher selling and distribution expenses and, to a lesser extent, increased factory related costs due to the COVID-19 safety protocols.
- The imposition of the quarantine curfew during the second quarter of the year significantly impacted the previously witnessed momentum of a rebound in volumes, with the Beverages and FC businesses recording declines. Overall profitability and margins of both businesses were also impacted by rising raw material prices. In order to manage such impacts, the business undertook price increases in selective stock holding units (SKUs), predominantly in the FC business.
- Improved consumer sentiment on the back of relaxation of COVID-19 restrictions aided a faster recovery in both the Beverages and FC businesses during the third and fourth quarters of 2021/22, with both businesses achieving strong double-digit growth in volumes and profitability.
- Pressure on product margins on account of increasing raw material prices continued during the second half of 2021/22, although offset to an extent due to a better absorption of fixed costs on account of higher volumes within the businesses.
- The Bulk:Impulse revenue mix stood at 51:49 during the year under review [2020/21: 50:50].
- Interest costs at Ceylon Cold Stores PLC (CCS) increased during the year under review on account of the increase in loans obtained for expansion purposes and bank overdraft facilities obtained to manage working capital requirements.

Convenience Foods

Convenience Foods	Q1	Q2	Q3	Q4
Revenue growth (%)	34	10	38	27
Volume growth (%)	30	0	22	2
EBITDA (Rs.million)	77	98	202	173
EBITDA growth (%)	(15)	(28)	47	41

- The Convenience Foods business remained resilient during the year under review despite COVID-19 related challenges encountered during the first half of 2021/22.
- The resumption in tourism and improved consumer sentiment led to the general trade channel and the HORECA channel recording a volume growth of 19 per cent and 17 per cent respectively, whilst the modern trade channel contracted marginally by 2 per cent during the year under review.
- Similar to the Beverages and FC businesses, the Convenience Foods business witnessed an increase in raw material prices during the year under review, exerting pressure on margins. To mitigate this impact, the business undertook price increases across all SKUs and adopted cost saving initiatives within the business.
- A decision was made to cease operations at the 'Ezy rice' facility and discontinue 'Ezy rice' products in the ensuing year. Accordingly, relevant impairment charges have been recognised during the year under review.

The recurring EBITDA which excludes fair value gains and losses on investment property pertaining to CCS was recorded at Rs.3.48 billion, a 5 per cent increase against the previous year [2020/21: Rs.3.32 billion].

Improved consumer sentiment on the back of relaxation of COVID-19 restrictions aided a faster recovery in both the Beverages and FC businesses during the third and fourth quarters of 2021/22.

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Assets			
Beverages and FC	16,309	13,046	25
Convenience Foods	3,199	2,868	12
Total	19,508	15,914	23
Debt*			
Beverages and FC	2,783	2,256	23
Convenience Foods	331	290	14
Total	3,114	2,546	22

Excludes lease liabilities.

- The Beverages and FC businesses invested in ~3,700 freezers and coolers during the year under review.
- Investments pertaining to the data and advanced analytics programme and the new workflow management system which was implemented across the industry group resulted in an increase in intangible assets during the year under review.
- Inventory and trade payable balances significantly increased in the Beverages and FC businesses due to the rapid increase in raw material prices and operational challenges encountered during the year under review.
- The increase in debt is primarily attributable to overdraft facilities obtained to manage working capital, expansion of the warehouse at CCS and funding the acquisition of the water manufacturing plant in Kotagala.
- Lease liabilities as at 31 March 2022 stood at Rs.147 million [2020/21: Rs.97 million]. Total debt including leases stood at Rs.3.26 billion as at 31 March 2022.

Natural Capital

The industry group accounts for a significant proportion of the Group's energy and water consumption given the nature of its business. Therefore, the industry group closely monitors its environmental impact and makes continuous effort to manage such impacts. All operations are conducted in accordance with the Group's environmental policies, whilst adhering to, and going beyond, all stipulated environmental laws and regulations by continuous monitoring and testing. The industry group evaluates its performance against industry-wide best practice and benchmarks whilst striving to minimise the usage of natural resources and materials.

Carbon Footprint (MT)	14,893	4,688
	Beverages and FC	Convenience Foods

2025 Goals Status

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

Note: The status disclosed below is the progress made at the end of the current financial year and is reported independently by each year against the goal of the baseline year.

Energy

Goal	Status
CCS: -1.5%	CCS: 3%
KFP: -1.5%	KFP: -5%
CICL: -2%	CICL: 2%

Water

Goal	Status
CCS: -1.3%	CCS: -11%
KFP: -1.5%	KFP: 31%
CICL: -2%	CICL: -19%

Steam

Goal	Status
CCS: -1.5%	CCS: -16%

Plastic

Goal	Status
CCS: -3.5%	CCS: 0.0%

Carbon Footprint

Goal	Status
KFP: -1%	KFP: 23%

* *All goals are either on a per l/m³ or per kg basis, other than carbon footprint which is on an absolute basis.*

Energy and emissions management

Relevance: Financial, regulatory and brand reputation implications

Approach

- Implementing and improving energy efficiency.
- Sustainable use of renewable energy sources.
- Alignment with international best practice and standards.
- Adhering to reduction in energy and carbon footprint goals.

Initiatives

- Installation of solar panels at the KFP Ja-Ela factory, with ~276,000 kWh of renewable energy generation capacity annually.
- Generation of 1,079,803 kWh and 185,575 kWh of renewable energy in the form of solar power at CICL and CCS, respectively.
- Installation of a 120kW capacity variable speed drive (VSD) for the cold room compressor at the CCS factory in Ranala, resulting in annual savings of 82,944 kWh of renewable energy.
- CCS continued to maintain the ISO 14001:2015 certification for its environmental management system.
- Training and awareness sessions were conducted for employees on the importance of managing environmental impacts.

Consumer Foods

Waste and effluent management

Relevance: Regulatory and brand reputation implications

Approach

- Compliance with all regulatory requirements for responsible waste disposal.
- Conformity with plastic waste reduction goals.

Initiatives

- Reuse of 23,822 m^3 of treated water for gardening and general cleaning purposes at CCS and KFP.
- Wastewater at factories was treated through effluent treatment plants, prior to discharge.
- Conducted regular water quality tests to ensure effluents meet the requisite water quality standards as stipulated in the environmental protection license (EPL).
- Monitoring of selected parameters against international benchmarks.
- Cardboard usage in bottle packaging was reduced in the 500 ml and 1 litre bottles resulting in a reduction of 28,792 kg of cardboard annually.
- CCS launched a wellness Frozen Confectionery range using paper-based packaging to kick start the sustainable packaging road map.
- In collaboration with 'Zerotrash' and 'Plasticcycle', CCS launched a material recovery facility - 'Zerotrash Recyclable Plastic Collection Centre' with the objective of facilitating responsible consumption and disposal of plastic waste.
- In collaboration with the Marine Environmental Protection Agency (MEPA), CCS strengthened its plastic collection mechanism by conducting a beach clean-up programme at Crow Island Beach Park which is envisaged to continue in the ensuing year.
- CCS initiated plastic waste collection campaigns targeting locations associated with cultural, religious and festive events along with communication on responsible consumption and disposal of plastic waste. The initial clean-ups commenced at Adam's Peak, Thalawila and Nuwara Eliya.

Polythene reduction

CCS continued to place emphasis on polythene reduction through initiatives spanning across the supply chain and all product categories. Certain initiatives implemented include:

- Reduction in the weight of polythene used in 1 litre PET bottle wrappers from 4.5 mg kg to 3.8 mg
- Reduction in the polythene gauge in 500 ml PET bottle wrappers from 80 microns to 60 microns

~36,851 kg of polythene reduction through the initiatives implemented

Indicators

Carbon Footprint (MT)

Water Withdrawn (m^3)

Waste Disposed (kg '000)

Carbon footprint scope 1 and 2 per operational intensity factor

	2021/22	2020/21
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	0.4	0.5

Water withdrawal per operational intensity factor

	2021/22	2020/21
CCS water withdrawn - litres per litre produced	4.0	4.3
KFP water withdrawn - litres per kg of processed meat produced	17.9	20.0
CICL water withdrawn - litres per litre produced	5.8	6.4

Waste generated per operational intensity factor

	2021/22	2020/21
CCS waste generated - kg per litre produced	0.01	0.01
KFP waste generated - kg per kg of processed meat produced	0.12	0.13
CICL waste generated - kg per litre produced	0.02	0.01

Solar panels installed at the KFP factory.

Human Capital

As a labour-intensive industry group, significant focus is placed to ensure that a healthy and safe work environment is provided for all employees. Regular training and development programmes are conducted for employees to improve skills and productivity.

Number of Employees	959	404
	Beverages and FC	Convenience Foods

Talent management

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

Approach

- Continuous training and development of employees.
- Promoting open dialogue between employees.

Initiatives

- Regular training including specific skill related training was provided to employees.
- Employees underwent ~57 hours of training.
- Maintained a healthy working relationship with employee unions through open dialogue and joint consultative committees.
- Focused on increasing female participation in non-traditional job roles in addition to conducting workshops, engagement activities and training programmes aimed at improving gender parity.

Health and safety

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

Approach

- Maintaining health and safety related processes and practices.
- Training and creating awareness.

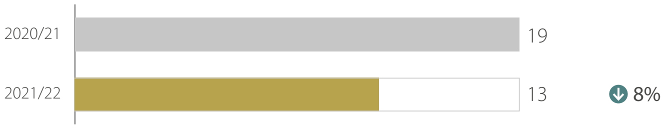
Initiatives

- CCS and KFP maintained the ISO 45001:2018 certification for occupational health and safety at all factories.
- Health and safety trainings were conducted for employees, which covered aspects such as firefighting, rescue, first aid, safe chemical handling, and food safety.
- Regular awareness sessions were conducted on health guidelines and safety precautions.
- Workplace safety procedures such as screening employees prior to entering the premises, providing adequate sanitary facilities, set up of isolation rooms for infected persons and transport were provided for employees.

Indicators

Training (Hours)

Injuries (Number)



It is pertinent to note that majority of the injuries were minor in nature and no fatalities were recorded in 2021/22.

Social and Relationship Capital

The Consumer Foods industry group strives to create value for its businesses and value chain partners by maintaining and strengthening sustainable relationships with its stakeholders.

The industry group continues to support the development of the local economy by sourcing high quality, fresh raw materials from local farmers, where possible, and assist businesses in managing the cost of raw materials whilst enhancing livelihoods of local communities.

Product	Total annual supply (kg)	Number of farmers
Meat	2,975,973	2,530
Spices	121,856	2,500
Cashew nuts	78,521	1,800
Vanilla	363	2,600
Ginger	26,540	650
Kithul jaggery	36,240	150
Vegetables	227,064	30
Treacle	150,450	155
Fresh milk	3,554,080	1,700

Local farmers benefited from guaranteed volumes and price schemes offered by the businesses whilst being encouraged to adhere to environmentally friendly and efficient agricultural practices to further strengthen sustainable value creation.

Product	Number of farmers	Total annual supply (kg'000)	Total annual payment (Rs.million)
KFP	5,060	3,325	1,346
CCS	7,055	3,846	809

The industry group conducts annual assessments of all its significant suppliers to gauge and rectify any negative sustainability impacts, as applicable.

Industry Group Review

Consumer Foods

Significant Suppliers

- Plastic packaging suppliers
- Glass bottle suppliers
- Dairy suppliers
- Poultry suppliers
- Sugar suppliers

Supply chain management

Relevance: Ensuring a continuous supply of raw materials which reduces risk, enhances brand reputation, and benefits local businesses

Approach

- Improving sustainable agricultural practices.
- Enhancing livelihoods of diverse communities.

Initiatives

- CCS and KFP continued to source ingredients from 12,115 local farmers.

CCS

- 650 ginger farmers benefited from large quantities of dried and sliced ginger purchased at guaranteed prices.
- 2,600 vanilla farmers benefited from the purchase of vanilla bean for natural vanilla extraction which contributed towards sustaining the local vanilla industry.
- 150 kithul jaggery farmers in the Southern province continued to benefit from the ongoing purchasing schemes.
- CCS actively encouraged female participation in the value chain focusing on areas such as sales and distribution and sourcing of materials.

KFP

- Continued its sustainable sourcing of poultry, spices, and vegetables from 5,060 farmers.
- Sourced all ingredients locally, excluding instances of raw material shortage.

Launch of the pilot project of John Keells 'Praja Shakthi' Digital Learning Initiative in collaboration with Deutsche Bank, JKOA and Dialog Axiata PLC under which electronic tabs and data packages were distributed to 50 disadvantaged school children.

Community development

Relevance: Building sustainable relationships in order to promote social responsibility and integration within the community

Approach

- Building and maintaining relationships with diverse communities.
- Development of skills and employability of youth by providing job opportunities.

Initiatives

CCS continued its collaboration with John Keells Foundation (JKF) in John Keells 'Praja Shakthi' initiative in Ranala including the following:

- Launch of the pilot project of John Keells 'Praja Shakthi' Digital Learning Initiative in collaboration with Deutsche Bank, JKOA and Dialog Axiata PLC under which electronic tabs and data packages were distributed to 50 disadvantaged school children in the Kaduwela DSD to facilitate online learning during the pandemic and other restrictions.

- Awarded 37 school children scholarships under the 'English for Teens' initiative of JKF's English Language Scholarship Programme (ELSP).
- Continued to upskill and empower female entrepreneurs engaged in paper production by:
  - Upskilling and facilitating market linkages for the sale of Vesak lanterns, resulting in 1,883 lanterns being sold despite pandemic-related lockdowns in the lead up to the Vesak festival.
  - Organising workshops and awareness sessions on financial literacy and other capacity building sessions.
- Supported the pottery community by funding and facilitating the renovation of a clay mixing machine.
- Under JKF's Higher Education Scholarship Programme five students were awarded scholarships.
- With the support from the Kaduwela district secretariat, a career guidance programme was conducted for 15 youth in the vicinity.

KFP in collaboration with the Central Environmental Authority continued to promote environment stewardship among school children by creating awareness on waste management.

KFP in collaboration with JKF awarded 31 deserving school children in Pannala and Ja-Ela with English and IT scholarships under the English for Teens' initiative of JKF's English Language Scholarship Programme.

The Frozen Confectionery business launched 'Dinannee' - a women empowerment programme - with the support of Government and Non-Government agencies to support women's livelihoods by providing job opportunities in ice cream operations. A total of two push carts and four parlour outlets have been distributed and a total of two company sales representatives have been recruited under this initiative.

During the year under review, JKF in partnership with KFP and JMSL launched John Keells 'Praja Shakthi' in Ja-Ela and conducted the following activities:

- Needs assessments and identification of two livelihood initiatives - namely livestock farming and the production of spices - with the aim of increasing the yield and quality of production whilst expanding potential markets.
- Conducted an awareness session on substance abuse prevention, especially through early childhood education, benefiting a total of 48 Government officers.

Student registration at the launch of John Keells 'Praja Shakthi' Digital Learning Initiative at CCS, Ranala.

Intellectual Capital

The Consumer Foods industry group focuses on maintaining excellence in product quality whilst ensuring safety in its production process. The businesses adheres to international quality standards with assurance renewed annually through third party verification.

Product quality and responsibility

Relevance: Financial, regulatory, brand reputation, and business continuity implications

Approach

- Formulation of new products and services.
- Ensuring effective and responsible marketing communication.

Initiatives

- Responsible formulation of recipes to ensure 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.
- Effective and responsible communication of nutrition facts and raw materials.
- Of the 321 stock keeping units (SKUs) manufactured:
    - 100 per cent carried information on the ingredients used
    - 0.3 per cent carried information on raw materials sourced
    - 83 per cent and 79 per cent carried information on safe use and responsible disposal of products, respectively.

Industry Group Review

Retail

Industry Group Structure

Supermarkets

- JayKay Marketing Services (Private) Limited (JMSL) operates the 'Keells' chain of modern retail outlets and the 'Nexus' loyalty programme.
  - 128 outlets across the island as at 31 March 2022.
  - ~1.6 million 'Nexus' loyalty card members.
  - Over ~340 'Keells' private-label products.
  - 7 collection centres across the country working with ~2,000 active farmers.
  - Employment for ~6,000 individuals.
  - Marketplace for ~80 large and small-scale suppliers.
- The state-of-the-art distribution centre (DC), under LogiPark International (Private) Limited (LPI) centralising JMSL's offerings across the dry, fresh, and chilled categories.
  - Sri Lanka's largest modern retail chain DC with the ability to cater to over ~250 outlets.
  - Employment for ~500 individuals in the first year of operations.

Office Automation

- John Keells Office Automation (JKOA) is the authorised distributor for a variety of world-class office automation brands.
  - National distributor for Samsung smartphones.
  - Sole distributor for Toshiba B&W and colour digital multi-function printers (MFPs) and Print-Now-Pay-Later (PNPL) digital copier rental solutions.
  - 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

37% Revenue

23% EBIT

5% Capital Employed

38% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	52,476	44,412	18	32,351
Total equity	3,487	4,795	(27)	3,420
Total debt[1]	15,342	13,048	18	10,928
Capital employed[2]	29,046	26,876	8	21,859
Employees (No.)[3]	6,295	5,864	7	4,956

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover	90,842	70,229	29	64,762
EBIT	4,928	3,287	50	3,194
PBT	7	1,818	(100)	1,492
PAT	(865)	1,569	(155)	1,070
EBIT per employee	1	1	40	0
Carbon footprint (MT)	36,230	33,168	9	32,480

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

External Environment and Operational Review

Macroeconomic Update

- Gross domestic product (GDP) in Sri Lanka recorded a 3.7 per cent growth in CY2021, in comparison to a 3.6 per cent contraction recorded in CY2020 primarily due to the impact of COVID-19 in CY2020.
- Headline inflation, as measured by the year-on-year change in the National Consumer Price Index (NCPI) accelerated to 14.0 per cent at the end of CY2021 in comparison to the 4.6 per cent recorded in CY2020, on the back of global and domestic supply side disruptions, global commodity price pressures and upward revisions to administered prices. Average annual inflation was recorded at 7.0 per cent, driven by notable increases in the food category.
- Core inflation stood at 10.8 per cent in December 2021 in comparison to 4.7 per cent in December 2020.
- As at March 2022, the headline inflation and core inflation stood at 21.5 per cent and 17.3 per cent, respectively, mainly due to the higher price levels that prevailed in both the food and non-food categories. Accordingly, the year-on-year inflation of the food category increased to 29.5 per cent in March 2022 from 21.5 per cent in December 2021 and the year-on-year inflation of the non-food category increased to 14.5 per cent in March 2022 from 7.6 per cent in December 2021.
- Private consumption expenditure (PCE) at current prices recorded a notable growth of 10.8 per cent in CY2021, compared to the lacklustre growth of 1.0 per cent in CY2020, primarily driven by an increase in food expenditure.
- The LMD-Nielsen Business Confidence Index (BCI) was recorded at 132 points in March 2022, a 11-month high, with the index edging towards where it stood before the COVID-19 outbreak in March 2021. However, in April 2022, BCI plummeted to 116 points, to its lowest during the year in lieu of the ongoing macroeconomic challenges.
- Exchange rate pressures on the back of a lack of liquidity in the domestic foreign exchange market amplified in CY2021, which led to a measured adjustment in the exchange rate in early March 2022, resulting in a steep depreciation of the Rupee by 49 per cent from December 2021 to March 2022.

Refer External Environment and Outlook sections for details of the envisaged impact of the ongoing macroeconomic crisis - page 37 and 136

Supermarkets

The performance of the Supermarket business continued its recovery aided by an encouraging top line growth and various mechanisms aimed at managing rising costs, and augmenting its supply chain to ensure availability and affordability across its offerings, which were rolled-out in response to the challenging circumstances that prevailed following the intermittent lockdowns on account of COVID-19 during the first half of the year under review and the deterioration of the economy towards the latter end of 2021/22.

The key performance indicators pertaining to the Supermarket business are as follows:

%	2021/22	2020/21
Same store footfall growth	4.5	(31.5)
ABV growth	8.0	33.4
Same store sales growth	12.9	(8.6)

Given the change in the shopping patterns of customers where the frequency and purchase patterns due to consolidation of baskets changed, the statistics on footfall and basket values were distorted during the last few years. The below table provides the quarterly trend of the key indicators, depicting the recovery momentum from the third quarter onwards.

2021/22 (%)	Q1	Q2	Q3	Q4
Same store footfall growth	37.6	(37.2)	18.5	17.0
ABV growth	1.2	45.3	(7.6)	1.6
Same store sales growth	39.3	(8.7)	9.5	18.9

- The recovery momentum witnessed in the latter end of 2020/21 was sustained in the first quarter of 2021/22, with same store sales recording a double-digit growth despite travel restrictions imposed on account of COVID-19 which led to outlet closures in mid-May 2021.
- Whilst this momentum continued thereafter, the rapid spread of COVID-19 and the imposition of quarantine curfew in mid-August impacted the business as outlets were closed for ~1.5 months. The loss of revenue during this period was partially offset by an increase in online sales.
- With the easing of restrictions, outlets recommenced operations with strict adherence to health and safety guidelines issued by the health authorities and adopted a rapid vaccination drive amongst frontline workers and other employees at outlets.
- During the third quarter, the improvement of consumer sentiment and 'pent up' demand led to an increase in footfall and hence, same store sales, especially during the peak season. This recovery momentum continued onto the fourth quarter.
- The average basket value (ABV) is derived based on the weight of purchase (WOP) and the retail sale price (RSP). Given the inverse relationship between the WOP and inflation, the ABV during the third quarter witnessed a decline due to the rapid increase in food inflation at the time, which further exacerbated during the fourth quarter. However, the growth in ABV in the fourth quarter recorded an increase due to a low base effect of ABV in the comparative quarter last year.
- In order to address this impact, the business implemented cost management and supply chain strategies which in result promoted affordability and availability of items. This also contributed to a shift in shopping behaviour to modern trade from general trade. Against this backdrop, footfall recorded steady growth.
- This increase in footfall coupled with rising inflation resulted in an increase in same store sales during the fourth quarter, despite a slowdown in customer discretionary spending in lieu of the gradual tightening macroeconomic conditions.

Industry Group Review

Retail

The Supermarket business was better geared in navigating COVID-19 related disruptions during the year on account of the existing infrastructure and delivery mechanisms which was implemented in response to the pandemic in 2020/21. The e-commerce platforms of the business, comprising of the online website, the mobile app and WhatsApp bots, performed well with increased traction during periods of lockdown; where online sales accounted for a significant amount of daily volumes traded. Consumer behaviour suggests an inclination to shop at physical stores where online sales witnessed temporary upticks during periods of lockdowns, with a reversal in trends evident thereafter with the easing of restrictions.

The Supermarket business faced a series of challenges on account of the deterioration of the economy and other market externalities, particularly towards the latter end of the year under review:

- Challenges in sourcing due to supply chain constraints, especially shortages of certain stock keeping units (SKUs). Price controls on essential items such as flour, rice and sugar further exacerbated the impact.
- The fertilizer shortage arising due to the import ban on agrochemicals in April 2021 precipitated a drop in crop yields which resulted in significant price increases and limited availability of fresh produce.
- The rapid increase in the cost of construction materials and the shortage of foreign exchange required for the importation of materials led to delays in construction exerting pressure on the business's outlet expansion plans.
- Recurrent disruptions to electricity supply led to a higher use of generators at outlets which contributed to higher operational costs. Whilst the business has managed the impact on operations thus far, this was further exacerbated by the shortage of fuel in the country.

'Scan & Go' self-checkouts.

The new concept 'Keells' outlet at Lauries Road, Colombo.

- Liquidity constraints in the foreign currency market, the devaluation of the local currency and import restrictions adversely impacted the business's ability to import products.

Several measures were undertaken by JMSL during the year in response to the evolving macroeconomic environment:

- Given the notable shortages in essential goods and other fast-moving items, the business expanded its 'Keells' private-label offering to drive better choice and 'value for money' for consumers, whilst managing inventory and gaps, which contributed to increased customer footfall. However, certain SKUs in the private-label had to be temporarily halted due to aforementioned challenges and shortages.
  - During the year under review, 44 new 'Keells' private-label products were launched, resulting in the total SKUs count at ~340 products.
  - Private-label products accounted for 5 per cent of revenue [2020/21: 4 per cent].
- Continuous negotiations with suppliers were held on sourcing essential SKUs in order to manage availability and affordability of items. JMSL demarcated specific teams for forward buying and to continuously engage in procuring stocks at an early stage, bulk buying and minimise the risk of stockouts.
- Proactive steps were taken to strengthen the import channel by directly liaising with foreign suppliers.
- Various measures were rolled to manage the liquidity requirement on foreign exchange including the promotion of foreign currency receipts through the online sales platforms.
- Entered into forward buying contracts for building materials and other items required for the construction of 'Keells' outlets in the pipeline, where possible and feasible.
- Select chemical fertilizers were allowed to be imported from July 2021 onwards under a license. Since the lifting of the import ban from November 2021, yields have gradually recovered.

Outlet Expansion

Outlet expansion was moderate due to pandemic related disruptions. The imposition of lockdowns resulted in delays in obtaining construction approvals from Government authorities and the rapid spread of COVID-19 at construction sites resulted in delays and supply chain disruptions. 'Keells' expanded its outlet network with the addition of five new outlets to its footprint during the year, with the total outlet count at 128 outlets as at 31 March 2022 [2020/21: 123 outlets].

The business will closely review and monitor the expansion of its network considering the uncertainty and volatility on construction related costs. Such expansions in the outlet base will be considered on a case-by-case basis, with feasibilities stress-tested under extreme sensitised scenarios.

In January 2022, a new concept 'Keells' outlet was opened at Lauries Road, Colombo. This outlet brings innovative technology features such as 'Scan & Go' self-checkouts and a food ordering kiosk in a very sleek and contemporary atmosphere. In keeping with 'Keells' strategy of promoting fresh produce and ready to consume food, a 'Kafe' serving affordable coffee, snacks and beverages is a key feature of the store. These elements will be rolled-out in select outlets in line with expansion plans.

Distribution Centre

The state-of-the-art centralised distribution centre (DC) in Kerawalapitiya, constructed at a cost of Rs.4.30 billion, commenced operations in January 2022 facilitating efficiencies by centralising offerings across fresh, dry and chilled categories. The ~260,000 sq.ft. facility is the largest DC in the modern retail sector of Sri Lanka, equipped with the latest innovative technology, systems, and health and safety standards in accordance with international best practice. The DC will be instrumental in streamlining the 'Keells' supply chain over ~250 outlets.

Technological Advancements

- Temperature-controlled chamber to maintain the quality of produce.
- Automated re-packing machines to promote timely stock distribution and availability.
- A fully automated tray wash plant to cleanse all crates maintaining hygienic practices.
- All items transported in roller cages and dollies with minimum human intervention.
- System guided operations to aid higher level of process accuracy and productivity.
- Installation of advanced material handling equipments in the DC.
- Installation of solar power panels in the pipeline, which will reduce energy costs.

Operational Efficiencies

- Faster response to customer demand.
- Capacity to centralise all suppliers and consolidate orders.
- Consistent delivery times and reducing stock holding costs at the back-store of outlets.
- Improved on-shelf availability and buffer stocks.
- Improved quality control and reduction in wastage.
- Reduced store footprint at the storage areas of outlets.

Fresh DC

- Commenced operations in January 2022.
- Entails handling fruits and vegetables.
- All fresh items are handled in a temperature-controlled environment enhancing the 'Freshness Guaranteed' pledge to serve fresh produce to customers.

Dry DC

- Commenced operations in February 2022.
- Entails handling dry food and non-food items.

Chilled DC

- Scheduled to commence centralised operations in the first quarter of 2022/23.
- Entails handling chilled items, maintaining availability at outlets.

The state-of-the-art centralised distribution centre.

Industry Group Review

Retail

Product and Process Initiatives

- 'Keells' website
  - Many incremental improvements were implemented on the 'Keells' website including the ability to accept foreign currency transactions, faster and secure payment processing, pre-authorisation of credit and debit cards, search enhancements and access to a wider range of mobile devices.
  - Process improvements on online operations were also implemented including, system developments for order delivery and fill rates, introduction of thermal protected delivery bags, improvements on online delivery partner processes such as onboarding agreements coupled with improved efficiencies of online deliveries.
- Advanced analytics transformation programme
  - During the year under review, identified 'use cases' were fully rolled, yielding promising results, with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.
  - As in the previous financial year, the effects of the COVID-19 pandemic on business operations necessitated a review of the timing of piloting and rolling out of some 'use cases'. However, despite these challenges, several 'use cases' were successfully piloted, scaled and deployed.
- Several features such as 'Scan & Go' self-checkouts, queue buster – a system that enables faster check outs during peak hours at outlets by producing quick response (QR) codes, restaurant management systems and self-checkouts were introduced at select outlets improving operational efficiencies.

'Scan & Go' self-checkouts, queue buster – a system that enables faster check outs during peak hours at outlets by producing quick response (QR) codes, restaurant management systems and self-checkouts were introduced at select outlets improving operational efficiencies.

- 'Imperfect Produce' launched in January 2021 was extended across outlets providing customers the option to purchase produce at a 20 per cent discount in comparison to conventional items.
- The business introduced robotic process automation driving marketing initiatives across the Supermarket business enabling teams to switch to creative automation.
- The business continued to focus on an omni-channel strategy to cater to different customer segments and needs.

Awards

- Ranked as the 'Strongest Brand in Sri Lanka 2021' for the first time in its history and the 'Most Valuable Supermarket Brand 2021' by Brand Finance.
- Winner of the 'Sustainable Initiative of the Year – Sri Lanka' and 'Food and Beverage Retailer of the Year – Sri Lanka' at the Retail Asia Awards 2021.
- Bronze award – 'Service Brand of the Year' at SLIM Brand Excellence Awards 2021.
- Silver award – 'Best Use of Technology in Marketing' at SLIM Digis 2.1.

Office Automation

The Office Automation business recorded an encouraging growth during the year under review primarily driven by mobile phone sales which recorded strong double digit growth in volumes. The growth in mobile phone sales was aided by the introduction of various models by Samsung.

The copier and printer business segment experienced a recovery of activities with the ease of lockdowns and businesses returning to work. The business was also successful in securing a number of tenders for laptops and smart boards with institutions. JKOA continued to maintain its market leadership position in the copier vertical during the year under review.

The ongoing macroeconomic crisis raised a series of challenges for the Office Automation business as mobile phones and laptops were categorised as non-essential items with limited imports. This was more pronounced towards the latter end of the year under review where the business faced significant challenges in importing inventory for sale given restrictions on imports, constraints on opening letters of credit and foreign currency liquidity pressures in the market.

Refer Outlook section for details of the envisaged impact of the ongoing macroeconomic crisis - page 136

The Office Automation business carried out digitisation initiatives during the year under review to strengthen its salesforce by adopting a customer relationship management (CRM) system which improved the sales invoicing process; business intelligence (BI) powered dashboards were used amongst staff for better insights. In relation to the copier and printer business segment, the e-bridge cloud connect (ECC) central management system implemented during the year facilitated proactive resolutions of copier breakdowns by online monitoring and configuration which led to reduced onsite visits and downtime, enhancing customer satisfaction.

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	2021/22	2020/21	%
Revenue			
Supermarkets	67,085	54,795	22
Office Automation	23,757	15,434	54
Total	90,842	70,229	29
EBITDA*			
Supermarkets	5,204	4,144	26
Office Automation	2,345	1,379	70
Total	7,549	5,523	37
PBT			
Supermarkets	849	416	104
Office Automation	(842)	1,402	(160)
Total	7	1,818	(100)

** Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

Supermarkets

- Given the change in the shopping patterns of customers and the volatility of market conditions, the ensuing discussion aims to provide an insight to the performance of the business across the quarters.

Supermarket business (2021/22)	Q1	Q2	Q3	Q4
Same store sales (%)	39.3	(8.7)	9.5	18.9
Revenue (Rs.million)	15,096	14,030	18,425	19,535
Revenue growth (%)	53	0	18	29
EBITDA (Rs.million)	1,094	579	1,573	1,958
EBITDA growth (%)	254	(46)	15	40
EBITDA margin (%)	7.2	4.1	8.5	10.0

- As outlined in the Operational Review, the recovery momentum continued in the first quarter, with same store sales recording a double-digit growth despite the imposition of travel restrictions on account of COVID-19.
- This momentum was hampered in the second quarter with the rapid spread of COVID-19, which was followed by lockdowns, leading to a decrease in revenue. The loss of revenue during this period was partially offset by an increase in online sales.
- It is pertinent to note that staff costs in relation to COVID-19 treatments and quarantine facilities increased during the second quarter which impacted EBITDA.
- Improved consumer sentiment on the back of easing of restrictions in the third quarter led to an increase in same store sales and revenue.
- Interest expenses increased by 14 per cent due to an increase in the cost of borrowings during the year under review and the increase in notional interest charge stemming from SLFRS 16 – Leases.

Office Automation

- Despite the challenging environment, the business recorded a strong performance with revenue increasing by 54 per cent on account of a strong double-digit growth in mobile phone volumes.
- The EBITDA margin of the business increased to 9.9 per cent from 8.9 per cent which was recorded in 2020/21 due to the implementation of stringent cost controls despite pressures faced on restrictions on imports, constraints in opening letters of credit and foreign currency liquidity pressures in the market.
- The sharp devaluation of the local currency which took place during the fourth quarter led to a significant difference between EBITDA and PBT on account of exchange losses on its USD Dollar denominated trade payable balances, which adversely impacted the profitability of the company.

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Assets			
Supermarkets	40,615	35,441	15
Office Automation	11,861	8,971	32
Total	52,476	44,412	18
Debt*			
Supermarkets	15,130	13,047	16
Office Automation	212	1	18,385
Total	15,342	13,048	18

**Excludes lease liabilities.*

Supermarkets

- The increase in the asset base primarily stemmed from the newly constructed distribution centre (DC) in the Supermarket business which commenced operations during the year under review.
- The Supermarket business continued its upgrades to the 'Keells' website and other support systems which led to an increase in intangible assets during the year.
- The increase in debt is driven by loans taken to fund the construction of the DC and outlet expansion. It should be noted that bank overdraft facilities of the Supermarket business reduced during the year due to the subdued outlet expansion resulting in lower working capital requirements and the conscious strategy of reprofiling its borrowings portfolio where overdraft facilities were moved into term loans.
- Lease liabilities as at 31 March 2022 stood at Rs.10.21 billion [2020/21: Rs.9.01 billion]. Total debt including leases stood at Rs.25.34 billion as at 31 March 2022.

Industry Group Review

Retail

Office Automation

- The increase in assets is driven by an increase in cash, short-term investments and inventory in line with higher operational performance.
- Bank overdrafts noted an increase during the year under review on account of the aforementioned constraints and pressures on meeting working capital requirements.

Natural Capital

The Retail industry group conducts operations in accordance with the Group's environmental policies with strict adherence to all relevant environmental laws and regulations, whilst adopting measures to minimise impacts from business operations.

Carbon Footprint (MT)	36,018	212
	Supermarkets	Office Automation

Energy and emissions management

Relevance: Financial, regulatory, and brand reputation implications

Approach

- Implementing and improving energy efficiency.
- Use of renewable energy sources.
- Alignment with international best practice and standards.

Initiatives

- Continued the use of solar power systems in 'Keells' outlets during the year under review. This resulted in ~10.1 million kWh of renewable energy generated by 80 outlets, constituting 16 per cent of the total energy requirement.
- Continuous use of skylights, LED lights, and efficient cooling systems at 'Keells' outlets maintaining energy efficient building design.

Energy

Solar photovoltaic (PV) energy generation across the Supermarket business against the 2018/19 baseline:

Goal	Status
125% ↑ by 2024/25	32% ↑ during 2021/22

Note: The status disclosed above is the progress made at the end of the current financial year and is reported independently against the goal of the baseline year.

Waste and effluent management

Relevance: Regulatory and brand reputation implications and stakeholder expectations for plastic management

Approach

- Compliance with all regulatory requirements in relation to responsible waste disposal.
- Establishing a plastic waste reduction goal.

Initiatives

- Reuse of treated wastewater for gardening and general cleaning purposes at selected 'Keells' outlets.
- Conducting regular water quality tests for outlets to ensure that all effluents meet the requisite water quality standards.
- JKOA organised an awareness programme to educate and encourage its customers on correct methods of disposing e-waste.

Plastic

Usage of single-use polythene bags at 'Keells' outlets by 2024/25

Goal	Status
50% ↓ by 2024/25	35% ↓ during 2021/22

Usage of single-use packaging for fresh food by ensuring they are reusable, recyclable or compostable by 2024/25

Goal	Status
50% ↓ by 2024/25	58% ↓ during 2021/22

Note: The status disclosed above is the progress made at the end of the current financial year and is reported independently against the goal of the baseline year.

Indicators

Carbon Footprint (MT)

Water Withdrawn (m^3)

Waste Disposed (kg '000)

'Keells' Plastic Promise

In working towards its commitment of reducing single-use plastics and packaging by 50 per cent by 2024/25, the Supermarket business continued the following initiatives:

Initiative	Monthly impact
'Keells' green bags and eco-friendly reusable bags	~50,000+ reusable bag sold ~30,000+ bags reused ~80,000+ plastic straws reduced ~500+ kg plastic collected at 47 'Plasticcycle' bins located at 'Keells' outlets
Continuation of BYOB (Bring Your Own Bag) and BYOC (Bring Your Own Container) initiatives, where a Rs.4 discount was offered per bag/ container.	
Over 70 per cent of aluminium foil boxes were substituted with kraft boxes at food preparation counters at 'Keells' outlets.	
Plastic cutlery were substituted with wooden cutlery at food preparation counters at 'Keells' outlets.	
Compostable bags were provided at fish, meat, fruit, and vegetable counters and for top crust bread packing at 'Keells' outlets.	
Paper straws were made available at juice counters.	
As a part of the 'Plasticcycle', the Group's social entrepreneurship project, bins were placed at 'Keells' outlets to encourage customers to recycle plastic items.	

Carbon footprint scope 1 and 2 per operational intensity factor

	2021/22	2020/21
JMSL CO_2 kg per sq. ft. of outlet area	31.4	30.6
JKOA CO_2 kg per sq. ft. of office space	10.8	10.7

Water withdrawal per operational intensity factor

	2021/22	2020/21
JMSL water withdrawn - litres per sq. ft. of outlet area	244.8	234.5

Waste generated per operational intensity factor

	2021/22	2020/21
JMSL waste generated - kg per sq. ft. of outlet areas	3.3	3.1

** Water usage and waste generated at JKOA are not disclosed as they are not considered to be material.*

Human Capital

Given the nature of operations, labour retention continues to be a challenge for both the Supermarket and Office Automation businesses. Strong emphasis is placed on providing continuous training opportunities with the aim of developing skills and improving productivity of employees. Further, career development opportunities are also provided to retain employees whilst establishing stringent health and safety measures to facilitate a safe work environment.

Number of Employees

6,127	**168**
Supermarkets	Office Automation

Health and safety

Relevance: Ensuring a safe and healthy work environment for all employees which is pivotal for employee well-being. Value creation through improved productivity and reduced health and safety related incidences at the workplace

Approach

- Maintaining health and safety related processes and practices.
- Training and creating awareness.

Initiatives

- Continuous occupational safety training programmes were conducted for employees.
- Safety gear was provided for 5,110 staff in Supermarkets.
- In-store and digital safety awareness materials were made available to staff.
- SLSI 1672 certification was obtained for the COVID-19 safety management system at 123 'Keells' outlets.
- Transport arrangements were provided to night shift employees at 'Keells' outlets.
- Random PCR and rapid antigen tests were conducted for employees.
- COVID-19 vaccination camps were conducted for employees.
- ~650 employees completed the gender based violence and child protection e-module under John Keells Foundation (JKF)'s 'Project WAVE' (Working Against Violence through Education).
- Regular safety audits and awareness sessions were conducted at 'Keells' outlets to ensure adherence to all health and safety guidelines.
- ISO 45001:2018 certification was obtained by the Hokandara 'Keells' outlet for the occupational health and safety management system.
- JMSL introduced a loyalty app for outlet staff through the newly launched online engagement platform which provides a range of benefits such as in-store discounts and attractive offers through partnering with other companies.

Industry Group Review

Retail

Talent management

Relevance: To retain talent and continuously upgrade skills of existing staff to enable delivery of superior customer service excellence

Approach

- Continuous training and development of employees.
- Driving employee diversity, equity and inclusion (DE&I) initiatives.

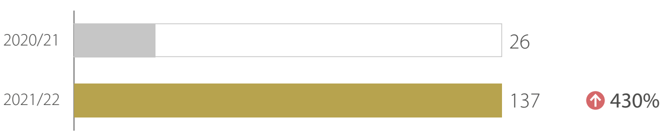
Initiatives

- The retail management trainee programme was conducted where selected recruits were offered the opportunity to fast-track career progression to managerial positions.
- The 'Keells Retail Academy' digital learning platform provided opportunities for both head office and outlet staff to complete learning modules online and enhance skills.
- Training was provided in collaboration with the National Apprentice and Industrial Training Authority (NAITA) at 'Keells' outlets.
- DE&I initiatives:
  - Inclusion of the 'She Inspires Award' category at JMSL's annual 'Head Office Employee of the Year' award ceremony with the aim of recognising exemplary female role models.
  - Mentorship programmes were offered to select female cluster HR managers for the preparation of future responsibilities.
  - A dedicated article 'Ladies of Keells' was introduced in the JMSL newsletter featuring female employees at 'Keells' and their achievements.
  - Steps were taken to reduce gender gaps in non-traditional roles, such as at meat counters.

Indicators

Training (Hours)

Injuries (Number)



Note: Mass scale recruitment campaigns carried out were successful in attracting employees. As a result, the number of employees recruited during peak seasons were substantially higher in comparison to off-peak seasons which resulted in a higher number of injuries of new recruits in tandem with increased level of operations. It is pertinent to note that a majority of the injuries were minor in nature and no fatalities were recorded in 2021/22.

Social and Relationship Capital

The Retail industry group places importance on building mutually beneficial relationships with its stakeholders, especially supply chain partners given the need to maintain a continuous supply of products to its customers.

The Supermarket business engaged in a range of initiatives to disseminate knowledge and share best practices amongst its diverse farmer community as well as promote sustainable farming initiatives. This also contributed towards improving the livelihoods of communities and development of the local economy.

	Number of farmers	Total annual supply (kg'000)	Total annual payment (Rs.million)
JMSL	2,162	24,454	3,964

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

'Keells' 'Govidiri' initiative in partnership with SAPP.

KFP and JMSL in partnership with JKF launched John Keells 'Praja Shakthi' in Ja-Ela and carried out preliminary needs assessments to identify community livelihood options to increase the yield and quality of SME-related production whilst expanding potential markets.

Supply chain and sustainable sourcing

Relevance: Ensure a continuous supply of raw materials which reduces risk, enhances brand reputation, and benefits local businesses. Building ongoing and sustainable relationships in order to promote social responsibility and integration across the supply chain

Approach

- Building and maintaining relationships with supply chain partners.
- Development of sustainable agricultural practices.

Initiatives

- The Farmer Management System (FMS) of JMSL supported over 4,000 farmers across the country to ensure productivity.
- JMSL continued to provide free technical assistance via helplines to over 2,500 farmers.
- A dedicated field officer engaged in all field visits and provided onsite consultations to farmers across all collection centres.
- JMSL commenced the field implementation of the 'Keells Govidiri' project during the year under review. This initiative aims at ensuring production consistency and availability of selected fresh produce.
  - Produce of 24 green houses were GAP (Good Agricultural Practices) certified.
  - JMSL in partnership with SAPP (Smallholder Agribusiness Partnerships Programme) supported 245 farms by establishing productivity enhancement initiatives.
- The 'Keells Podi Business Thena' project extended support to small business owners and vendors by allocating space to set up stalls at car parks at select 'Keells' outlets.
- The introduction of the 'Imperfect Vegetables' range available across 63 'Keells' outlets, supported farmers by reducing produce returns whilst also providing customers a price reduction of up to 20 per cent across the range.
- JMSL facilitated the distribution of fertiliser and most needed agrochemicals among farmers to continue respective farming practices and livelihood thereby benefiting over ~300 farmers.
- A 36-hour, industry-related skill development programme which was organised under JKF's 'Skill into Progress' (SKIP) during 2020/21 was completed during the year under review with 12 small to medium enterprise (SME) suppliers of 'Keells' being empowered with English communication skills. The virtual SKIP programme initiated for a new batch of suppliers during the reporting year had to be discontinued due to challenges arising from the prevailing socio-economic conditions in the country.

Community engagement

Relevance: To promote social responsibility and integration within the community

Approach

- Building and maintaining relationships within diverse communities.
- Development of skills and employability of youth by providing job opportunities.

Initiatives

- 185 disadvantaged school children were awarded English and Information Technology (IT) scholarships under the 'English for Teens' initiative of JKF's English Language Scholarship Programme.
- Four students were awarded scholarships under JKF's Higher Education Scholarship Programme to pursue higher studies at State universities.
- JMSL in collaboration with the JKF commemorated the International Day for the Elimination of Violence Against Women, by printing a public interest message containing helplines on domestic violence on all 'Keells' supermarket bills during a two-week period in December 2021.
- Under JMSL's 'Say No To Food Waste' food redistribution initiative, 108 'Keells' outlets in partnership with selected non-profit organisations redistributed consumable fresh produce on a monthly basis among deserving communities.
- JMSL in partnership with the Department of Marketing Management of the University of Kelaniya, provided insights on the retail industry of Sri Lanka. JMSL will collaborate as a strategic partner in select degree programmes by conducting lectures and knowledge sharing sessions, whilst offering internships and job placements.
- KN95 facial masks and face shields were donated to five Government hospitals in an effort to support the nation's frontline workers and medical personnel.
- 248 students from nine schools in the Gampola, Mawanella and Matale areas were provided books and stationery item packs for the new academic year.
- JKF in partnership with KFP and JMSL launched John Keells 'Praja Shakthi' in Ja-Ela and conducted the following activities:
  - Needs assessments and identification of two livelihood initiatives - namely livestock farming and the production of spices - with the aim of increasing yield and quality of production whilst expanding potential markets.
  - Conducted an awareness session on Substance Abuse Prevention, especially through early childhood education, benefiting a total of 48 Government officers.
- Under JKF's 'Praja Shakthi' initiative in Ranala, JMSL supported 'Batawela Ranliya Women's Society of Ranala' in manufacturing paper-based products by purchasing Vesak lanterns and gifting them to 'Keells' customers at selected outlets in the spirit of supporting SME livelihoods affected by the pandemic.
- JKOA collaborated with JKF's 'John Keells Praja Shakthi Digital Learning' pilot programme by providing 100 Samsung A8 tabs at discounted rates to selected disadvantaged children in Colombo and Ranala to facilitate online education during the pandemic. The tabs with data packages were distributed to select students of Colombo and Ranala divisional secretariats.

Industry Group Review

Retail

"I am the sole proprietor of Sethum products, and I started this journey as a courageous mother due to financial difficulties, with no academic qualifications or computer knowledge. My business was at its infancy when I started working with 'Keells' and I was fortunate to be part of the English proficiency programme organised by JKF. Before this programme, I was not confident to communicate in English. But this programme helped me improve my English. 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 – 'Keells' SME Beneficiary of Skill into Progress (SKIP)

Intellectual Capital

The Retail industry group constantly strives for excellence in product and service quality whilst maintaining safety in its processes.

Product quality and responsibility

Relevance: Financial, regulatory, brand reputation and business continuity implications

Approach

- Formulation of new products and services.
- Ensuring effective and responsible marketing communication.

Initiatives

- JMSL obtained SLS 1432 (SMMS) certification for 117 outlets and SLS 143 (GMP) certification for 118 outlets.
- Of the 405 stock keeping units sourced by JMSL for private labelling;
  - 57 per cent carried information of the ingredients used
  - 1 per cent carried information on raw materials sourced
  - 47 per cent and 97 per cent carried information on safe use, and responsible disposal of products, respectively.
- 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.

Leisure

Industry Group Structure

Cinnamon Hotels & Resorts

Colombo Hotels

- Two hotels offering ~28 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.
- 26 restaurants 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

8% Revenue

(0%) EBIT

19% Capital Employed

33% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	121,567	98,324	24	98,335
Total equity	59,539	52,907	13	59,409
Total debt[1]	28,634	20,743	38	16,034
Capital employed[2]	110,782	89,765	23	88,865
Employees (No.)[3]	4,195	3,819	10	4,542

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover[4]	18,962	5,374	253	17,754
EBIT	(46)	(7,336)	99	(905)
PBT	(1,281)	(8,527)	85	(1,540)
PAT	(1,302)	(7,598)	83	(1,548)
EBIT per employee	(0)	(2)	99	(0)
Carbon footprint (MT)	32,018	24,360	31	31,510

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

Leisure

External Environment and Operational Review

Macroeconomic Update – Sri Lanka

Timeline: Encouraging Recovery from the Pandemic

Apr 21 | May 21 | Jun 21 | Jul 21 | Aug 21 | Sep 21 | Oct 21 | Nov 21 | Dec 21 | Jan 22 | Feb 22 | Mar 22

Mid-May
Third COVID-19 wave in Sri Lanka which resulted in the imposition of a ten day island-wide curfew.

Mid-June
Easing of restrictions resulting in the gradual recovery of hotel operations.

Entry requirements for the country, such as the removal of on-arrival PCRs, was also relaxed for select tourist groups.

June to Mid-September
Sri Lanka was added to the UK's 'COVID-19 travel red list' and removed in mid-September 2021.

May – November
Select Group hotels operated as intermediary care centres (ICC) whilst others operated within the guidelines of 'Safe & Secure Level 1 Hotels'.

Mid-August
Fourth COVID-19 wave in Sri Lanka which resulted in the imposition of curfew and inter-provincial travel bans in the country from 20 August to 1 October.

Early-October
Easing of restrictions within Sri Lanka resulting in a rebound in domestic travel.

Mid-November
Sri Lanka commenced administrating the third dose of the COVID-19 vaccination programme, as a booster shot with almost entirety of the adult population was vaccinated with two doses by this time.

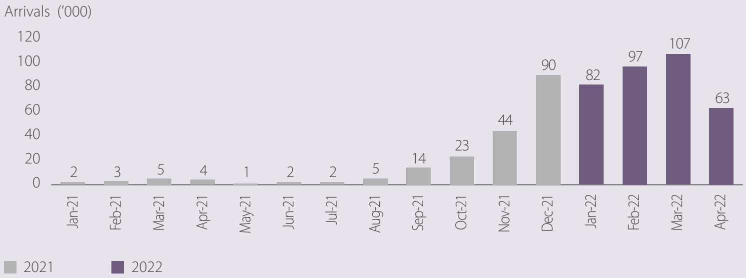
December onwards
Strong vaccinations drives, globally and locally, coupled with increased leisure travel globally contributed towards a recovery of Sri Lankan tourism.

April 2022
Further relaxation of entry requirements to Sri Lanka.

Industry Highlights

- As evident by the graph below, although tourist arrivals in CY2021 were impacted due to multiple lockdowns in the first half of the financial year, arrivals demonstrated a notable recovery in the second half of the year under review aided by rapid vaccination roll-outs, both locally and globally, and increased global travel.

Tourist Arrivals to Sri Lanka



- In the month of December 2021, arrivals surpassed the 90,000 mark for the first time in 20 months since the onset of the pandemic and 100,000 mark in March 2022, which is almost 50 per cent of pre pandemic levels.
- Tourist arrivals to Sri Lanka stood at 194,495 for CY2021, a 62 per cent decrease against the previous year [CY2020: 507,704 arrivals].
- Total arrivals during January to April 2022 stood at 348,314 arrivals, a notable increase against the 9,629 arrivals recorded in the corresponding period of last year. For 2021/22, tourist arrivals stood at 470,200 arrivals, against 10,022 arrivals recorded in 2020/21.
- Key source markets driving arrivals during CY2021 was India, followed by Russia, the United Kingdom, Germany, and Ukraine.
- Arrivals from Russia and Ukraine witnessed a decline to the country, with the invasion of Ukraine by Russia on 24 February 2022.

COVID-19 Developments

- In September 2021, debt moratorium granted to the tourism sector was extended for a nine-month period commencing from October 2021.
- The grace period offered on Saubhagya COVID-19 Renaissance Facility for businesses by the Central Bank of Sri Lanka (CBSL) was extended from September 2021 to December 2021.

Awards

Sri Lanka continued to gain traction during the year, securing numerous awards and accolades:

- Ranked at the top of the world's 'Wellness Tourism Destination for 2021' by the Global Wellness Institute.
- Placed amongst CNN Travel's '20 Best Places to Visit in 2022'.
- Secured second place in the 'Women Solo Travel Index'.
- Accoladed as 'One of the Best Countries to Travel' at the Conde Nast Traveller magazine Readers Choice Awards 2021.

Refer Outlook section for details of the envisaged impact of the Russia-Ukraine crisis - page 136

Cinnamon Hotels & Resorts

During the first half of the year under review, Sri Lanka experienced a rapid outbreak of a third and fourth wave of COVID-19 cases, mainly as a result of the highly transmissible Delta variant, with the number of daily cases and deaths across the country reaching peak levels. As a result, the Government imposed intermittent island-wide quarantine curfews and travel restrictions to contain the spread of the virus. The Government rolled-out an aggressive vaccination drive across the country where almost the entirety of the population over 30 years of age was fully vaccinated by November 2021 which resulted in a significant decline in the number of daily cases and mortalities.

With this successful vaccination drive and easing of restrictions, the Group's Sri Lankan Leisure businesses recorded a significant turnaround in performance on account of activity and consumer trends being near 'normal' since the onset of the pandemic in early CY2020. This was particularly evident from December 2021 onwards, where business momentum gained encouraging traction on the back of a notable resumption in tourism.

During the period of quarantine curfew and inter-provincial travel restrictions, the Sri Lankan hotel properties were closed to the public whilst continuing proactive cost management initiatives and effective management of working capital requirements.

Key strategies rolled-out include:

- Intermediate Care Centres (ICCs)
  - 'Cinnamon Red Colombo', 'Cinnamon Citadel Kandy' and 'Hikka Tranz by Cinnamon' operated as ICCs for the treatment of asymptomatic patients, during the peak of outbreaks primarily to aid the short supply of hospital beds at the time, which also assisted to mitigate the drop in revenue.
- 'Safe & Secure Level 1 Hotels'
  - 'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' operated as 'Safe & Secure Level 1 Hotels' and housed tourists arriving through the 'bio-bubble' scheme.
- Flavours by 'Cinnamon'
  - The Colombo Hotels segment continued its online food delivery platform 'Flavours' and partnerships with third party delivery platforms, in order to cater to the demand for food and beverage offerings.
- Emphasis was placed on vaccinating staff engaged in leisure activities, with vaccination rates being over 95 per cent within staff members at 'Cinnamon Hotels & Resorts'.

Refer Outlook section for the envisaged impact of the ongoing macroeconomic crisis - page 136

Awards

- 'Cinnamon Hotels & Resorts' was listed as a partner hotel by CNN.
- 'Cinnamon Hotels & Resorts' obtained the United Nations Educational, Scientific and Cultural Organisation (UNESCO) 'Sustainable Travel Pledge' certificate, becoming the first hotel chain in Sri Lanka to attain this status. The pledge by the UNESCO aims to promote sustainable travel, community resilience and heritage conservation globally.

Colombo Hotels

The Colombo Hotels segment was significantly impacted by the imposition of lockdowns and the closure of the airport, resulting in curtailment of activities, limitations on events. However, the segment noted an encouraging recovery momentum across the quarters, particularly towards the third quarter of 2021/22. The gradual resumption of tourism and business travel towards the latter half of the year under review contributed towards the revival of the Colombo Hotels segment with an increase in foreign tourists and domestic participation, including expatriates and business delegates.

Colombo Hotels	2021/22 Q1	2021/22 Q2	2021/22 Q3	2021/22 Q4	2021/22	2020/21
Average Room Rate (USD)	61	54	71	77	70	64
Occupancy (%)	6	20	39	52	29	3

Note:

- *Both Average Room Rates (ARRs) and Occupancy excludes 'Cinnamon Red Colombo'.*
- *Given market circumstances and demand during 2021/22, the business only operated 242 rooms of 'Cinnamon Grand Colombo', and the indicators reflected above are on a base of 242 operational rooms.*

Occupancy at 'Cinnamon Grand Colombo' and 'Cinnamon Lakeside Colombo' were also aided through group bookings for sporting teams that visited the country under the 'bio-bubble' scheme. Given the rapid outbreak of COVID-19 cases, 'Cinnamon Red Colombo' was converted to an ICC for the treatment of asymptomatic patients from April to November 2021.

The segment also experienced a strong recovery in banquet and restaurant activities with the easing of restrictions. The segment witnessed a significant pick-up in the number of events and banquets, with restaurant operations reverting to pre-pandemic levels, particularly from December 2021 onwards.

FuzeBar at 'Cinnamon Bentota Beach'.

Piers dining in 'Cinnamon Bentota Beach'.

Industry Group Review

Leisure

Cinnamon Life Colombo

The construction of the state-of-the-art hotel 'Cinnamon Life Colombo' is progressing well where fit outs and interior designing of the hotel rooms and common areas are currently underway. The hotel, retail and entertainment components of the 'Cinnamon Life Integrated Resort' is scheduled for commencement of operations, in a phased manner, in the first half of CY2023. This integrated project is expected to transform the landscape of Colombo and establish Colombo as a tourism hub given its multi-use facilities and iconic design.

This multifaceted development will consist of an 800-room hotel,15 speciality restaurants,14 meeting facilities, along with many other hotel amenities, retail, and entertainment spaces, in addition to two residential apartment towers and an office tower.

Refer the Property industry group review for a discussion on the construction progress of the 'Cinnamon Life Integrated Resort' - page 114

Given the iconic nature of the hotel and retail components of the property, and the dynamic challenges entailing a project of this size, the business continued to recruit employees with requisite skills for the operation of an integrated resort of this nature whilst implementing training and skill development platforms.

Discussions with key tenants of the retail mall continued during the year, with various alternatives being considered for the retail space to ensure unique attractions and offerings.

Sri Lankan Resorts

Whilst the imposition of inter-provincial travel restrictions during lockdown periods curtailed domestic tourism significantly during mid-May and mid-August, the hotels witnessed a resumption of domestic travel post the easing of restrictions in movement. Domestic tourism was a key catalyst that resulted in all properties in the Sri Lankan Resorts segment recording an encouraging increase in month-on-month occupancy, particularly in the second half of the year under review.

Sri Lankan Resorts	2021/22				2021/22	2020/21
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	50	38	82	93	78	62
Occupancy (%)	18	18	35	57	32	16

The segment continued to review the trends of both international and domestic travel during the year under review, and expanded operations accordingly. 'Cinnamon Bentota Beach' and 'Cinnamon Bey Beruwala' operated as 'Safe & Secure Level 1 Hotels' under the guidelines and protocols stipulated by the Sri Lanka Tourism Development Authority (SLTDA) and accommodated tourists arriving through the 'bio-bubble' scheme until May 2021. 'Cinnamon Bey Beruwala' also operated under the 'bio-bubble' scheme during the first 15 days of August 2021. As noted previously, 'Cinnamon Citadel Kandy' and 'Hikka Tranz by Cinnamon' were operated as ICCs for the treatment of asymptomatic patients. 'Cinnamon Citadel Kandy' operated as an ICC from April to October 2021 while 'Hikka Tranz by Cinnamon' operated as ICC from May to September 2021. In tandem with the resumption of international tourism and evolving regulations, operations were realigned, and performance continued to recover to 'normal' levels on the back of 'pent up' demand for leisure travel from various markets.

'Hikka Tranz by Cinnamon' re-opened in May 2021 following the completion of structural repairs carried out during 2020/21.

The lean luxury segment of 'Cinnamon Hotels & Resorts', 'Cinnamon Red Colombo' is set to expand with the launch of 'Cinnamon Red Kandy', a joint venture with Indra Traders (Private) Limited, which is under construction with concrete work currently underway. The Group is envisaged to hold a 40 per cent stake of the equity component, whilst the management of hotel will fall under the purview of the Hotel Management sector at a total investment cost of ~Rs.6.00 billion. Slated for completion in the first half of 2023/24, the hotel will feature 216 rooms and amenities including an expansive rooftop bar and a swimming pool amongst others.

Awards

- 'Most Valuable Hospitality Brand in Sri Lanka 2021' by Brand Finance Sri Lanka.
- 'Sustainability and Social Responsibility' award for the 'Cinnamon Travel Pledge' initiative awarded at the Pacific Asia Travel Association (PATA) Gold Awards 2021.

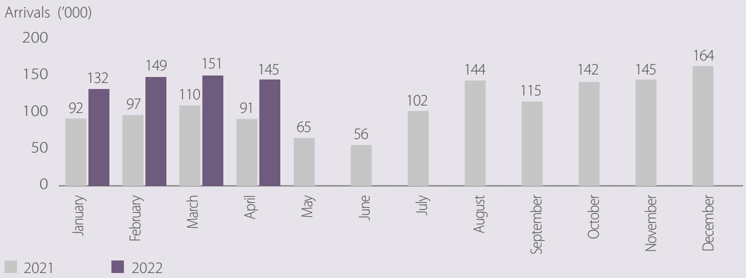
'Hikka Tranz by Cinnamon' re-opened in May 2021 following the completion of structural repairs.

Macroeconomic Update – The Maldives

Industry Highlights

- Despite pandemic related disruptions during CY2021, the revival of tourism in the Maldives was extremely encouraging.
    - The public health emergency for the COVID-19 pandemic which was announced on 12 March 2020 and extended several times, was revoked on 13 March 2022.
    - Upon lifting the health emergency status in March 2022, the mask requirement in the Maldives was limited to islands with an active COVID-19 outbreak; PCR tests are also not required for entry.
    - The Maldives was added to the UK's 'COVID-19 travel red list' on 13 May and removed on 22 September 2021.
    - The Government of the Maldives also imposed a series of inter-island travel bans and travel bans on specific countries such as India, South Africa and other African countries.
- Despite these challenges, since re-opening its borders in July 2020, the Maldives has been successful in managing the spread of COVID-19 through the implementation of strict health protocols and rapidly vaccinating staff employed in tourism industry. Such initiatives coupled with a recovery in the global travel industry, contributed to an uptick in tourism as evident below.

Tourist Arrivals to the Maldives



- It is noted that despite the drop in its largest source market China on account of various challenges in Chinese outbound travel, the Maldives was successful in attracting new source markets such as India and Russia which compensated for the loss in Chinese tourists.
- The momentum in arrivals continued with over 427,000 tourists visiting the Maldives between January and March 2022, despite the ongoing Russia-Ukraine crisis.

Refer Outlook section for the envisaged impact of the Russia-Ukraine crisis - page 136

- 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.
- On 7 April 2022, the Maldivian Ministry of Tourism and the United Nations Development Programme (UNDP) signed the 'GOM-UNDP Reimagining Tourism' project which aims to transform Maldivian tourism with emphasis on diversification and enhanced community engagement.

Maldivian Resorts

The Maldivian tourism industry continued its strong recovery, where the performance of Group hotels was higher than anticipated. This was also evident from the continuous momentum of forward bookings in the Maldives, which demonstrated a significant 'pent up' demand for leisure travel. Occupancies and ARRs reached pre-pandemic levels during the fourth quarter of the year under review, supported by arrivals from both traditional and new source markets.

As evident from the table below, the segment recorded an encouraging recovery across the quarters, where occupancies were above the industry average of 56 per cent for CY2021. By the fourth quarter of 2021/22, ARRs of the Group properties recovered to pre-pandemic levels.

Maldivian Resorts	2021/22 Q1	Q2	Q3	Q4	2021/22	2020/21
Average Room Rate (USD)	259	262	344	423	333	349
Occupancy (%)	48	76	88	89	75	27

With the onset of restrictions on Chinese outbound travel, active measures were adopted to attract other source markets such as India, Russia, UK, Germany, and South Africa to compensate for the shortfall of Chinese tourists; especially as China is one of the main source markets for the Maldives. The ongoing Russia-Ukraine crisis had a minimal impact on the performance of the Maldivian Resorts segment as the drop in Russian tourists during the fourth quarter was offset with an increase in British tourists.

Refer Outlook section for the envisaged impact of the Russia-Ukraine crisis - page 136

The segment also enhanced its digitisation strategies through the implementation of a revenue management tool, which placed emphasis on yield maximisation through the identification of market trends.

Industry Group Review

Leisure

Awards

- The Maldivian Resorts segment was awarded the 'Corporate Maldives Gold 100 Gala' award as one of the leading 100 companies of the Maldives in CY2021.

Platinum beach bungalow at 'Cinnamon Hakuraa Huraa Maldives'.

Destination Management

Whilst the operating environment of the Destination Management business was significantly impacted by the pandemic, the re-opening of Sri Lanka's borders resulted in an encouraging revival of interest for inbound travel, particularly in the luxury segment and foreign independent travellers (FIT). Walkers Tours continued to establish ties with key Indian inbound travel partners, with the aim of strengthening regional networks and widening its presence in the Indian market. To this end, Walkers Tours further strengthened its luxury and wellness offerings under its sub brands 'Artravele' and 'Ayu' by engaging in sales visits and familiarisation tour programmes targeting high-end travel agencies and wellness operators, which augured well in tandem with the pickup in tourist arrivals. The sector expanded its digital strategy and footprint by increasing its online B2B booking segment and rolling out various digitalisation initiatives aimed at improving response times and internal efficiencies.

The launch of the 'EmpowHer Network'.

'Cinnamon' Events and Promotions

'Cinnamon' events were curtailed to an extent in the year under review given the pandemic related challenges. However, some key initiatives during the year included:

- 'One Island, A Thousand Treasures', destination promotion campaign was conducted by 'Cinnamon Hotels & Resorts' with the goal of promoting Sri Lanka as a 'must visit' travel destination showcasing unique places, people, and experiences. These stories were promoted via digital platforms in order to engage an international audience through curated and programmatic digital marketing, to encourage travellers to visit and experience Sri Lanka.
- 'Cinnamon Hotels & Resorts' along with John Keells Holdings PLC established the 'EmpowHer Network' to provide an enabling environment for women to excel not only in their jobs but also allow them to pursue their passions outside the workspace, thereby establishing 'Cinnamon' as more than just a workplace.
- The 'Classic Car Run' was organised by 'Cinnamon Bentota Beach' in partnership with the Classic Car Club of Ceylon to bring together enthusiasts of the quaint artistry of the past, where over 35 classic car owners joined the run starting from 'Cinnamon Lakeside Colombo' parading through a pre-planned route to 'Cinnamon Bentota Beach'.
- 'Cinnamon Hotels & Resorts' in collaboration with 'Cinnamon' Nature Trails conducted a webinar series encouraging participants to explore the natural wonders of Sri Lanka.

The 'EmpowHer Network' provides an enabling environment for women to excel not only in their jobs but also allow them to pursue their passions outside the workspace, thereby establishing 'Cinnamon' as more than just a workplace.

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	2021/22	2020/21	%
Revenue*			
Colombo Hotels	4,052	1,631	148
Sri Lankan Resorts	2,871	958	200
Maldivian Resorts	10,398	2,706	284
Destination Management	1,610	67	2,295
Hotel Management	31	12	152
Total	18,962	5,374	253

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

- As outlined in detail in the Operational Review, with the easing of COVID-19 restrictions and resumption of tourist arrivals to Sri Lanka, the Sri Lankan Leisure businesses recorded a significant turnaround in performance.
- The Maldivian Resorts segment continued its strong recovery where occupancies and average room rates reached pre-pandemic levels. It is pertinent to note that the segment is well positioned to capitalise on this opportunity given that the full complement of inventory in all four resorts in the Maldives is available, following the refurbishments and reconstruction just prior to the pandemic.
- With the easing of restrictions, the Colombo Hotels witnessed a significant pick-up in the number of events whilst restaurant operations have reverted to pre-pandemic levels.
- The notable increase in revenue of the Destination Management segment was driven by the luxury segment and the aforementioned resumption in tourist arrivals to the country.
- The Hotel Management segment recorded an increase in revenue as a result of higher management fees and marketing fees given the improvement in performance across the hotels, as outlined above.

Rs.million	2021/22	2020/21	%
EBITDA*			
Colombo Hotels	60	(1,370)	104
Sri Lankan Resorts	(206)	(1,347)	85
Maldivian Resorts	3,617	(227)	1,692
Destination Management	30	(279)	111
Hotel Management	389	(349)	212
Total	3,890	(3,572)	209

** Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

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

Rs.million	2021/22	2020/21	%
PBT*			
Colombo Hotels	(536)	(1,943)	72
Sri Lankan Resorts	(1,448)	(2,421)	40
Maldivian Resorts	233	(3,378)	107
Destination Management	186	(312)	160
Hotel Management	284	(473)	160
Total	(1,281)	(8,527)	85

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

- The primary drivers for the continued recovery in profitability were the aforementioned factors impacting revenue.
- It should be noted that all segments across the industry group recorded a positive EBITDA and PBT in the fourth quarter of the year under review.
- Various cost saving mechanisms were implemented focusing on the liquidity position of all segments within the industry group.
- The Maldivian Resorts segment recorded an increase in the lease amortisation charge for the year on account of the translation impact given its US Dollar denomination.
- The recurring EBITDA of the industry group, excluding fair value gains/losses on investment property, amounted to Rs.3.78 billion, a 205 per cent increase against the previous year [2020/21: negative Rs.3.59 billion].
- Interest expenses recorded an increase during the year under review due to increased borrowings across the industry group.

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Assets			
Colombo Hotels	36,046	34,754	4
Sri Lankan Resorts	20,280	18,809	8
Maldivian Resorts	61,355	41,888	46
Destination Management	2,014	1,223	65
Hotel Management	1,873	1,650	14
Total	121,568	98,324	24

Note: The above does not include the asset base of 'Cinnamon Life Colombo' nor the retail space at the 'Cinnamon Life Integrated Resort'.

- The industry group continued to curtail its investments in capital expenditure, to the extent possible, due to the COVID-19 pandemic and the volatile macroeconomic environment.
- 'Hikka Tranz by Cinnamon' recorded an increase in assets due to the capitalisation of refurbishment costs which was completed during the year.
- Trade and other receivables increased across the industry group owing to the resumption in operational activities.

Industry Group Review

Leisure

- Nuwara Eliya Holiday Resorts (Private) Limited disposed its land during the year under review for a consideration of Rs.362 million.
- The increase in assets in the Maldivian Resorts segment stems from the increase in leasehold property due to the translation impact given its US Dollar denomination.
- The depreciation of the local currency resulted in the Destination Management segment recording an exchange gain on US Dollar denominated debtors and foreign currency cash balances.

Rs.million	2021/22	2020/21	%
Debt*			
Colombo Hotels	1,638	1,018	61
Sri Lankan Resorts	6,201	4,491	38
Maldivian Resorts	19,257	13,741	40
Destination Management	395	353	12
Hotel Management	1,143	1,139	0
Total	28,634	20,743	38

Excludes lease liabilities.

- The industry group obtained term loans and overdraft facilities in order to sustain working capital requirements and to lesser extent, fund maintenance related capital expenditure which contributed to the increase in debt. Debt facilities for working capital purposes were primarily at the Colombo Hotels segment and at 'Cinnamon Bentota Beach'.
- Certain hotels and resorts obtained loan moratorium extensions for the Saubhagya COVID-19 renaissance loan whilst others commenced loan repayments during the year under review.
- The increase in debt in the Maldivian Resorts segment stems from the increase in lease liabilities due to the translation impact given its US Dollar denomination, as there were no new leases obtained during the year under review.
- Lease liabilities as at 31 March 2022 stood at Rs.22.61 billion [2020/21: Rs.16.12 billion]. Total debt including leases stood at Rs.51.24 billion as at 31 March 2022 [2020/21: Rs.36.86 billion].

'Habarana Village by Cinnamon'.

Natural Capital

The Leisure industry group operates in accordance with the Group's Environmental policies and the 'Cinnamon' sustainability strategy to ensure operations are conducted in a responsible manner with minimal impact to the environment whilst adhering to international standards and best practice.

2025 Goals Status

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

Note: In arriving at the status for the year for each of the indicators, the absolute variation against the base year has been calibrated to reflect the level of activity in the baseline year, for a like with like comparison. The status disclosed below is reported independently by each year against the goal of the baseline year.

Energy

Goal	Status
-4%	55% (not achieved)

Water

Goal	Status
- 1%	33% (not achieved)

Plastic

Goal	Status
-50% single use plastic	-6% single use plastic

Note: Due to the intermittent lockdowns and travel restrictions on account of the COVID-19 pandemic, the number of guest nights reduced at a higher proportionate than the reduction in energy and water usage, thereby distorting the performance against the set goals. The performance will be monitored continuously.

Water and effluent management

Relevance: Regulatory and brand reputation implications

Approach

- Regular monitoring and responsible discharge of effluents.
- Adhering to water reduction goals.

Initiatives

- Continued to maintain onsite effluent treatment plants at hotels that are unable to discharge effluent into common municipal sewerage lines.
- ~86,000 litres of water was saved annually at 'Habarana Village by Cinnamon' through improvements in water fixtures.
- Continued the reuse of treated water for gardening and farming at select hotel properties.
- Ensured all effluents met the requisite water quality standards prior to discharge.
- 'Cinnamon Bentota Beach' and 'Cinnamon Lakeside Colombo' continued to maintain rainwater harvesting systems.

Energy and emissions management

Relevance: Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image, and reputation

Approach

- Implementing and improving energy efficiency.
- Use of renewable energy sources.
- Alignment with international best practice and standards.
- Adhering to energy reduction goals.

Initiatives

- Ongoing replacement of traditional air conditioner units with inverter type units at hotels, which resulted in ~20,500 kWh of energy savings.
- Improved the Variable Frequency Drive (VFD) speed in the main kitchen at 'Cinnamon Grand Colombo' contributing~16,400 kWh of energy savings.
- Optimised the operating hours across the Building Management System (BMS) at 'Cinnamon Lakeside Colombo' resulting in energy savings of 197,184 kWh.
- Optimised chiller set-points at 'Cinnamon Lakeside Colombo' resulting in 108,000 kWh of energy savings.
- ~1,083,292 kWh of renewable energy utilised through the generation of solar power by the industry group.
- Walkers Tours Limited (WTL):
    - Continued to be certified as a carbon neutral fleet by Carbon Neutral UK.
    - Invested in a local renewable energy project to offset its carbon footprint by the equivalent 2,000 tons of carbon.
    - 71 per cent of the vehicle fleet were hybrid vehicles.
- Complied with all tolerance levels stipulated under the environmental protection license (EPL).
- Maintained the ISO 14001:2015 Environmental Management System certification at all hotels and WTL.

Site launch at the 'Cinnamon Rainforest Restoration' Project.

Waste management

Relevance: Regulatory and brand reputation implications

Approach

- Compliance with all regulatory requirements for responsible waste disposal.
- Adhering to plastic waste reduction goals.

Initiatives

- Continued the generation of biogas using food waste at 'Cinnamon Wild Yala', 'Cinnamon Citadel Kandy' and 'Habarana Village by Cinnamon'.
- WTL in collaboration with 'Plasticcycle', placed plastic collection bins at Southern Expressway exit points collecting ~1,000kg of plastic waste for recycling.
- 500 reusable water bottles were provided to clients of WTL.
- 'Cinnamon Lakeside Colombo' continued its compost initiative where 4,900 kg of compost was produced using food waste. The compost was used to grow organic produce for use in meals.
- Hotels replaced plastic cutlery and stirrers, and plastic bottles with wooden cutlery and stirrers, water dispensers and glass bottles, respectively.
- Fused Light-Emitting Diode (LED) bulbs at 'Cinnamon Citadel Kandy' were repaired which resulted in a 69 per cent reduction of e-waste.

Biodiversity conservation and promotion

Relevance: Regulatory and brand reputation implications and maintaining the value proposition of the destination

Approach

- Conservation of biodiversity and awareness creation.

Initiatives

- 'Cinnamon Hotels & Resorts' in partnership with John Keells Foundation (JKF), Ruk Rakaganno (The Tree Society of Sri Lanka) and the Forest Department of Sri Lanka launched the 'Cinnamon Rainforest Restoration Project' which undertook the restoration of a degraded 59 Acre plot in Suduwelipotha, a land in proximity to the Sinharaja Forest Reserve, over an initial period of three years. Ground clearance, preparation and planting activities were initiated during the year.
- Volunteers from WTL participated in the 'Nurdle Free Lanka Volunteer Campaign' contributing 261 volunteer hours collecting over 1,122 kg of nurdles. The campaign focused on removing plastic pellets.
- 'Cinnamon Grand Colombo' conducted video awareness campaigns in relation to the international biodiversity day and ocean day.

Industry Group Review

Leisure

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.*

Proximity to biodiversity and its features – Maldivian Resorts

Velana International Airport

Cinnamon Dhonveli Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) – 0.1496

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.

Volunteers from WTL participated in the 'Nurdle Free Lanka Volunteer Campaign' which focused on removing plastic pellets.

Indicators

Carbon footprint scope 1 and 2 per operational intensity factor

	2021/22	2020/21
Sri Lankan Resorts CO_2 kg per guest night	39.71	66.89
Maldivian Resorts CO_2 kg per guest night	39.26	97.21
Colombo Hotels CO_2 kg per guest night	86.12	428.40
Destination Management CO_2 kg per client serviced	4.25	39.91

Water withdrawal per operational intensity factor

	2021/22	2020/21
Sri Lankan Resorts water withdrawn - litres per guest night	1,403	2,264
Maldivian Resorts water withdrawn - litres per guest night	1,184	2,679
Colombo Hotels water withdrawn - litres per guest night	1,761	8,069

Waste generated per operational intensity factor

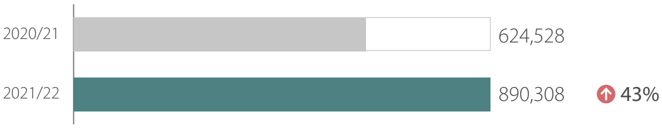
	2021/22	2020/21
Sri Lankan Resorts waste generated – kg per guest night	2.55	3.13
Maldivian Resorts waste generated – kg per guest night	4.94	8.52
Colombo Hotels waste generated – kg per guest night	3.76	18.09

Note: The per guest night reduction in indicators have been driven by higher levels of operational activity during the reporting year.

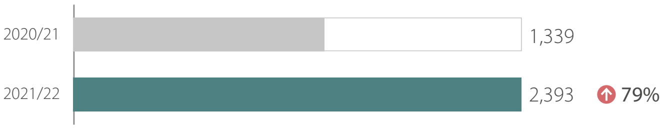
Indicators

Carbon Footprint (MT)

Water Withdrawn (m^3)



Waste Disposed (kg '000)



Carbon Footprint (MT)

12,746 Colombo Hotels

9,409 Sri Lankan Resorts

65 Destination Management

149 Hotel Management

9,798 Maldivian Resorts

Solar panels at 'Ellaidhoo Maldives by Cinnamon'.

Human Capital

As a service-based industry group, the effective management of Human Capital is of paramount importance to maintain service standards of the 'Cinnamon' brand. The industry group continues to invest in the workforce to build a professionally trained and competent staff cadre to deliver an unparalleled customer experience.

The Leisure industry group facilitates its employees with a safe working environment through education, awareness, and training on safety practices in the workplace.

Training and talent retention

Relevance: Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality

Approach

- Continuous training and development opportunities.

Initiatives

- Provided 41 hours of training per employee.
- All properties continued to offer classroom and on-the-job training to all employees to enhance skills, productivity, and service quality.
- 'Cinnamon Lakeside Colombo' created a NAITA (National Apprentice and Industrial Training Authority) training centre which provided students opportunities to gain exposure on hotel operational aspects.
- All properties encouraged female participation in the workforce, working towards committed diversity goals.
- Training programmes were conducted at hotels with the aim of accelerating career progression:
  - Graduate Management Acceleration Programme (GMAP) for heads of departments to progress towards senior managerial positions.
  - Supervisory Talent Enhancement Programme (STEP) for associates to progress towards supervisory roles.
  - Talent Acceleration Programme (TAP) for supervisory level staff to progress towards executive positions.
  - Management Programme (MAP) for executive staff to progress towards head of department levels.

Number of Employees

1,525 Colombo Hotels

1,816 Sri Lankan Resorts

151 Destination Management

177 Hotel Management

703 Maldivian Resorts

Leisure

Health and safety

Relevance: Ensuring safe working conditions are provided for all employees to minimise occupational health and safety incidents

Approach

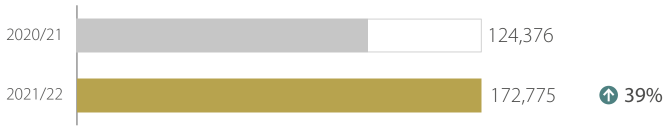
- Maintaining health and safety related processes and practices.
- Training and creating awareness.

Initiatives

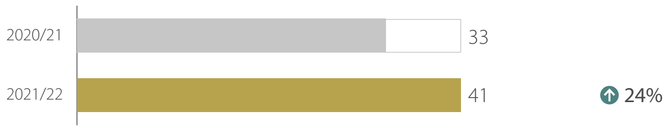
- Food handlers at all hotels were provided comprehensive training on food safety and hygiene to ensure quality standards are maintained.
- Conducted regular first aid, fire awareness and emergency evacuation training at all hotels.
- ISO 45001:2018 occupational health and safety standards certification was maintained by hotels.
- ISO 22000:2018 certification on food safety was maintained by hotels.
- 'Safe & Secure' certificate of compliance issued by the Sri Lanka Tourism Development Authority (SLTDA) was obtained by all Sri Lankan hotels and resorts and WTL.
- Continued workplace safety protocols such as, guest health declarations, temperature checks, and regular sanitisation of high-risk areas.
- Training on COVID-19 safety measures was conducted for 250 chauffeur guides by WTL.
- WTL conducted a series of comprehensive first aid training for jeep suppliers.
- Employees across all hotels completed the e-module on gender based violence which was facilitated under JKF's Project 'WAVE' (Working Against Violence through Education).

Indicators

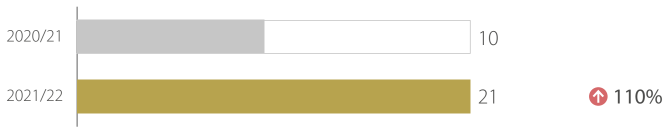
Training (Hours)



Training Per Employee (Hours)



Injuries (Number)



Social and Relationship Capital

The industry group strives to ensure sustainable value creation by empowering the community and recognising the importance of building stakeholder relationships by engaging with its operational communities and supply chain partners and working 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

Supply chain and sustainable sourcing

Relevance: Assessing and educating significant suppliers to ensure mitigation of negative impacts with respect to environment, labour, and human rights aspects

Approach

- Building and maintaining relationships with supply chain partners.
- Engaging with significant supply chain partners to encourage environmental friendly and socially responsible activities.

Initiatives

- Supporting local economies through sourcing local produce and other outsourced services.
- Audits were conducted on key suppliers of 'Cinnamon Hotels & Resorts' and the central purchasing office.
- 44 suppliers participated in the awareness sessions which were carried out covering topics such as quality, environmental practices and health and safety.

Food handlers at all hotels were provided comprehensive training on food safety and hygiene to ensure quality standards are maintained.

Community development

Relevance: Engagements with the community to reduce inequality, enhance skills and build mutually beneficial relationships

Approach

- Building and maintaining relationships with diverse communities.
- Developing skills and employability of youth by providing job opportunities.

Initiatives

- JKF in partnership with the International Finance Corporation (IFC) and 'Cinnamon Life Colombo' formalised plans for a Street Market in Colombo 2 which is aimed at addressing:
  - Absence of an existing platform for the provision of food by street vendors conforming to public health and hygiene standards.
  - Increase the participation of women in the hospitality and tourism sectors.
- Under JKF's business-centric community empowerment initiative John Keells 'Praja Shakthi' - Hikkaduwa, 'Hikka Tranz by Cinnamon' partnered with JKF on the following:
  - Continuing to support 13 women engaged in the batik craft to enhance their skills and market access.
  - Commenced a series of design thinking workshops facilitated by industry trainers together with a tour of the hotel.
  - Assisted participants in establishing sustainable market linkages with 'Artravele' - the luxury brand of WTL.
- 'Cinnamon Grand Colombo' was the venue partner for JKF in the launch of the Colombo phase of the 'John Keells Praja Shakthi Digital Learning Initiative' in collaboration with Deutsche Bank, JKOA, Dialog Axiata PLC under which tabs and data packages were presented to 50 disadvantaged school children, enabling access to online learning.
- JKF in collaboration with CHML and the Colombo Municipal Council (CMC) continued its initiative to improve the livelihoods of street vendors operating in the vicinity of Colombo 2 through upskilling and complying with the regulatory framework. Based on a sustainability assessment conducted on street vendors operative at Galle Face in collaboration with the CMC, suitable training will be provided to street vendors by a team including the chefs at 'Cinnamon Hotels & Resorts'. The proposed training content was designed and shared with the CMC during the year towards finalising content and implementing training at a more conducive time.
- JKF in partnership with 'Cinnamon Lodge Habarana' and WTL carried out entry level needs assessment in advance of the launch of John Keells 'Praja Shakthi' in Habarana.
- 173 English and IT scholarships were awarded to disadvantaged school children in Habarana, Kandy, Trincomalee, Hikkaduwa, Yala and Beruwala under the 'English for Teens' initiative of JKF's English Language Scholarship Programme.
- A total of ten higher education scholarships were offered to students from Hikkaduwa.
- WTL and Whittall Boustead continued to collaborate with JKF in its supply chain management initiative 'Skill into Progress' (SKIP) which is aimed at upskilling identified supplier groups in a pandemic challenged context. A 36-hour customised English programme designed in collaboration with the Destination Management sector was completed by 40 chauffeur guides demonstrating commendable skills and confidence levels.
- 'Cinnamon Hotels & Resorts' carried out the following community service programmes:
  - 'Cinnamon Red Colombo' donated essential dry rations and food items to the Gamini Matha Elders' home and linens to the National Cancer Institute.
  - 'Cinnamon Lodge Habarana' and 'Habarana Village by Cinnamon' renovated the Horiwila ayurvedic medical hospital.
  - 'Cinnamon Citadel Kandy' assisted in the renovation of an adjoining temple and the construction of a staff meal room at the Kandy Municipal Council.
- Under JKF's Project WAVE (Working Against Violence through Education), a training refresher was conducted for 16 pre-trained master trainers from 'Cinnamon Hotels & Resorts' towards increasing motivation and creating awareness on child protection in Sri Lanka.

Industry Group Review

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 on Gregory's Road', 'Monarch', and 'Emperor'.
- Development of holiday homes at 'Victoria Golf and Country Resort' 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.
- Operation of the 18-hole champion golf course and management of the land bank in Rajawella, Kandy.

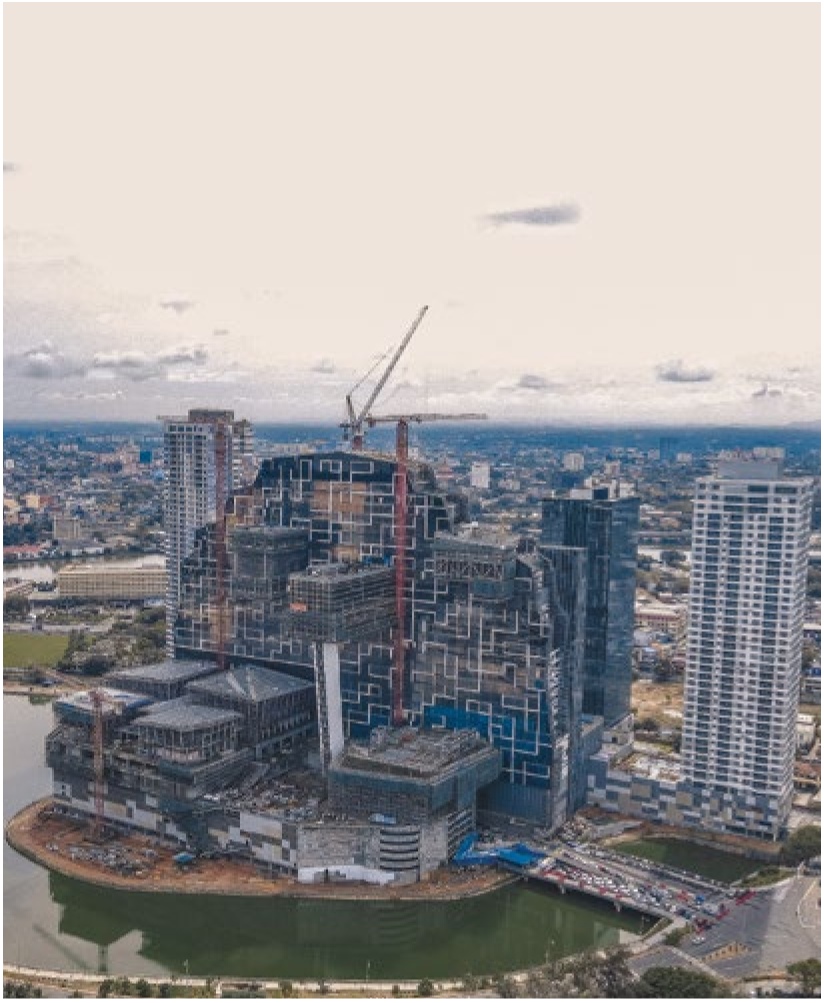
Contribution to the John Keells Group

17% Revenue

14% EBIT

45% Capital Employed

1% Carbon Footprint



Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	276,754	196,882	41	162,928
Total equity	166,895	108,406	54	98,118
Total debt[1]	102,260	59,492	72	41,954
Capital employed[2]	269,155	167,898	60	140,073
Employees (No.)[3]	260	272	(4)	278

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover[4]	41,476	1,910	2,072	1,395
EBIT	2,879	(92)	3,214	565
PBT	(847)	(136)	(521)	462
PAT	(986)	(276)	(257)	326
EBIT per employee	11	(0)	3,358	2
Carbon footprint (MT)	733	770	(5)	814

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

- The construction sector accounted for 6.1 per cent of Sri Lanka's GDP in CY2021 [CY2020: 6.2 per cent].
- The Land Valuation Indicator for Colombo District, compiled by the Central Bank of Sri Lanka (CBSL), reached 155.1 in the first half of CY2021, an increase of 9.5 per cent against the comparative period [CY2020 1H:141.6, CY2020 2H:145.2]. The residential, commercial, and industrial sub-indices contributed to this increase.
- In April 2022, the Government introduced a scheme to issue five to ten year long-term residence visas to foreigners that invest a minimum of USD 75,000 in condominium properties.

Connectivity

- The New Kelani Bridge (NKB) named 'Golden Gate Kalyani' was declared open in November 2021, linking the city of Colombo with the Bandaranaike International Airport and the Port of Colombo.
- Central Expressway
  - The second phase of the Central Expressway from Mirigama to Kurunegala was declared open in January 2022.
  - The Central Expressway is expected to be completed by CY2024.
- Ruwanpura Expressway
  - Surveying activities on the stretch from Ingiriya to Pelmadulla in the Ruwanpura Expressway commenced during the year.
  - The first stretch from Kahathuduwa to Ingirya of the Ruwanpura Expressway is expected to be completed by CY2023.
- Construction of the Port Access Elevated Highway commenced during the year. The proposed highway entails five on and off-ramp facilities and provides a direct link to the city of Colombo and the Port of Colombo from the Colombo-Katunayake Expressway via the NKB, and also extends to the expressway network.
- Preliminary work relating to the construction of the four-lane elevated highway from the NKB to Athurugiriya via Rajagiriya continued during the year. The project will be fully foreign funded on a design build finance operate maintain and transfer (DBFOMT) basis.
- In July 2021, Port City Colombo gained legal status to operate and function as a Special Economic Zone (SEZ).

Operational Performance

The pandemic related disruptions continued to present a series of challenges to the Property industry group, including impacts to construction activities, accessibility to labour and availability of construction materials, particularly during lockdown periods. However, given that the businesses were better equipped in managing such effects as previous restrictions and lockdowns had imparted learnings and experience in better navigating the effects of the pandemic, along with the rapid vaccination drive, the businesses were able to minimise impact, in comparison to 2020/21.

Constraints in labour and rising construction costs continued to be a challenge for the industry. In addition, notable challenges which materialised towards the tail end of the year under review, such as steep rises in material costs and the fuel and electricity crisis exerted pressure on business performance.

The industry witnessed notable cost pressures in lieu of:

- Global supply chain constraints due to the pandemic, such as, challenges in booking containers and longer delivery times due to multiple transits.
- The shortage of foreign exchange in Sri Lanka resulted in substantial delays and constraints in opening letters of credit (LCs) for building materials and components.
- Import restrictions causing difficulties in sourcing materials.
- Layered tax and tariff systems for construction material.
- Depreciation of the domestic currency and inflationary pressures.

Despite the challenges, demand towards real estate assets increased significantly during the year under review aided by the prevailing low interest rate regime, where consumers were able to access to long-term funding at attractive rates which also induced a shift in funds from other asset classes to real estate assets. This was particularly evident in the metropolitan segment and within the suburbs of Colombo, given its value proposition and connectivity. Demand was further augmented towards the latter end of the year under review, given that real estate assets were exploited as a hedge against inflation.

The commercial real estate market also witnessed an improvement during the year. Occupancies at A-Grade commercial spaces remained encouraging despite 'work from home' arrangements. Whilst mall operations were affected by lockdowns, the easing of restrictions and increase in tourist arrivals contributed to a gradual improvement.

Cinnamon Life Integrated Resort

The year under review marks the commencement of revenue and profit recognition from the completion and handover of the residential apartments and office towers of the 'Cinnamon Life Integrated Resort' project, a significant milestone considering the long gestation period of the project. Whilst COVID-19 restrictions imposed during mid-May and mid-August impacted the momentum of construction at 'Cinnamon Life Integrated Resort', particularly the mobilisation of labour, the available resources and efforts were continually re-planned and re-organised to ensure the completion of the residential and the office towers, for handover as planned.

Industry Group Review

Property

With the handover of the residential towers and the rest of the complex nearing completion, there was an upsurge in sales interest, with eight units sold in the fourth quarter of the year.

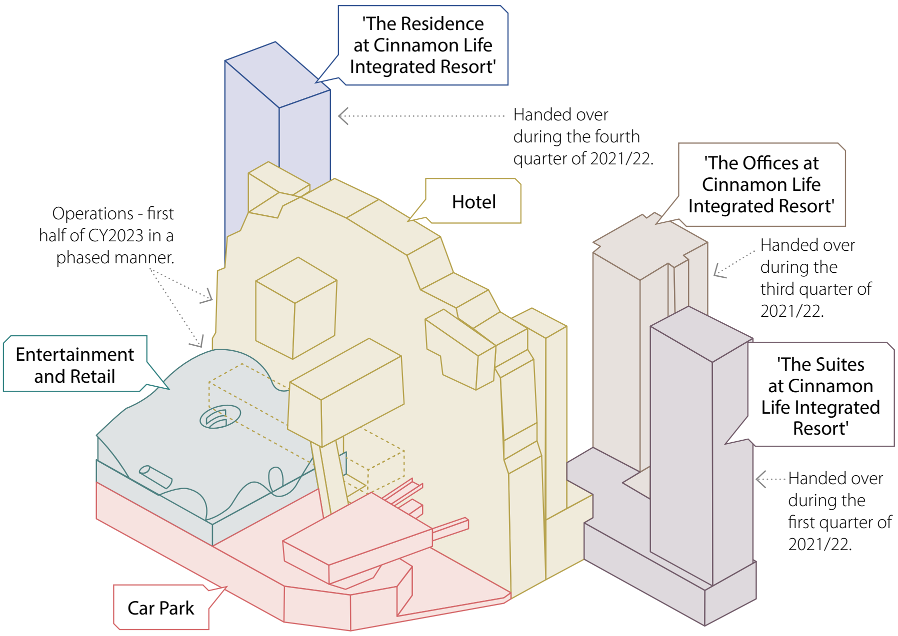
	'The Suites at Cinnamon Life Integrated Resort'	'The Residence at Cinnamon Life Integrated Resort'	'The Offices at Cinnamon Life Integrated Resort'
Structure	39-storey tower features a total of 196 apartment units.	45-storey tower features a total of 231 apartments units.	30-storey tower features four floors sold outright, six floors reserved for car park and the remaining 20 floors allocated for rent.
Number of units sold as at 31 March 2022	115 units. (59 per cent of total units)	152 units. (66 per cent of total units)	Four floors. (100 per cent of outright floors sold)
Revenue and profit recognition	Since the first quarter of 2021/22.	Since the fourth quarter of 2021/22.	During the third quarter of 2021/22.

'The Offices at Cinnamon Life' entered into a lease agreement in August 2021 with a leading global technology company, HCL Technologies (HCL), to occupy ten floors of the Grade-A office building, with an option to occupy an additional ten floors of the building within a pre-agreed time. In December 2021, HCL occupied five floors in December 2021 which triggered the commencement of the recognition of the recurring revenue from the office space. A further five floors were occupied in May 2022, bringing the total occupancy to ten floors. Given the prevailing macroeconomic uncertainty, HCL has informed that the option of taking the additional ten floors will not be exercised, at this juncture of time. Discussions with prospective tenants for the office space will take place for the remainder of the ten floors.

Discussions with key tenants of the retail mall continued during the year, with various options being considered for the retail space to ensure unique attractions and offerings.

The momentum of construction at 'Cinnamon Life Integrated Resort' is progressing well, where the hotel, retail and entertainment components are in the final stages of construction. The fit outs and interior designing of the hotel rooms and common areas are currently underway. Operations of the hotel, branded 'Cinnamon Life Colombo', retail and entertainment components are scheduled to commence, in a phased manner, in the first half of the CY2023, which will result in the generation of significant recurring cash flows for the Group once operations ramp up.

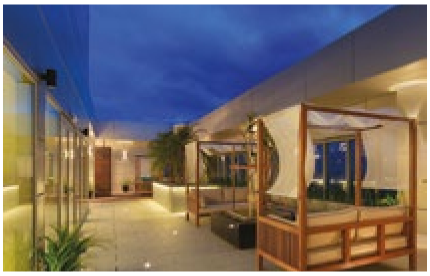
Refer the Leisure industry group for a discussion on the hotel and retail components - page 101



The USD 395 million syndicated loan facility at 'Cinnamon Life Integrated Resort', which was due for repayment by July 2022, was successfully refinanced in December 2021 through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million. The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers. The facility is a five-year loan with a two-year grace period and back-ended capital payments. The USD 100 million bridging facility was structured in order to align with the maturity date of July 2022 under of the original facility.

Aerial view of the 'Cinnamon Life Integrated Resort'.

Interior areas at 'The Residence at Cinnamon Life Integrated Resort'.



Common areas at 'The Suites at Cinnamon Life Integrated Resort'.

With the handover of the residential towers and the rest of the complex nearing completion, there was an upsurge in sales interest, with eight units sold in the fourth quarter of the year.

Tri-Zen

Positioned within the 'Metropolitan Spaces' segment of the industry group, 'Tri-Zen', an 891-unit condominium located at the heart of the city focuses on affordable, smart, and efficient living solutions. Although the imposition of quarantine curfew presented challenges in sourcing labour and labour mobilisation during periods of movement restrictions, the sales momentum and interest towards 'Tri-Zen' continued to strengthen with pre-sales substantially increasing during the year, particularly in the fourth quarter which had record sales. This was particularly in lieu of real estate assets being considered the preferred investment choice on account of the low interest rate regime that prevailed during the year. The Rupee pricing model which mitigates the risk of fluctuating exchange rates for buyers, continued to augur well for sales.

Construction at the 'Tri-Zen' site continued to progress well during the year, achieving the milestone of completing structural work of all three towers with a 'topping-off' ceremony was held in January 2022. The mechanical, electrical, plumbing work and fit outs are currently underway, with the overall project scheduled for completion in mid-2023.

Cumulative Sales

659 units

2020/21: 342 units

Town houses and villa developments at RHL.

Mall Operations

In November 2021, the newly revamped 'Crescat Boulevard' was launched offering a revitalised, upmarket shopping and dining experience to consumers. Since its re-launch, the business was able to secure lease tenants at an encouraging pace. Accordingly, occupancy as at the fourth quarter of 2021/22 was at ~70 per cent.

Rajawella Holdings Limited (RHL)

The Group's initial real estate products under RHL, which includes scenic land parcels, town houses and villa developments, are branded under three segments i.e., 'Peacock Valley', 'Sunrise Ridge' and 'Mara Ridge' based within the 'Victoria Golf and Country Resort' in Digana. Interest towards RHL's real estate products were encouraging during the year with all land plots in 'Peacock Valley' and 'Mara Ridge' fully sold by the second quarter of 2021/22. 'Sunrise Ridge', luxury holiday homes located alongside the golf course, also gained encouraging traction with ~80 per cent of holiday homes sold as at 31 March 2022.

In addition to products earmarked under 'Peacock Valley', 'Sunrise Ridge' and 'Mara Ridge', RHL possess a vast land bank within the 'Victoria Golf and Country Resort' in Digana. This land parcels hold prospects for future leisure linked development opportunities, especially given the expected appreciation of the land value with the second phase of the central expressway being declared open and the completion of the central expressway in CY2024.

Awards

- 'Victoria Golf and Country Resort' was awarded the 'Best Golf Course in Sri Lanka 2021' by World Golf Awards.

Tri-Zen celebrates 'topping-off' ceremony.

The newly revamped 'Crescat Boulevard' was re-launched during the year.

Industry Group Review

Property

Vauxhall Land Developments Limited (VLDL)

As disclosed in the JKH Annual Report 2020/21 and as per the terms of the transaction, the Group acquired the balance 13.3 per cent equity stake of VLDL from Finlays Colombo Limited (FCL) for a consideration of Rs.2.99 billion in September 2021. This purchase was an extension to the transaction that materialised post FCL exercising its option to divest its holding as provided under the joint development agreement entered into in 2018. Accordingly, VLDL is now a fully owned subsidiary of the Group.

The contiguous 9.38 acre property is one of the largest privately held land banks 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 allows for a large-scale development with views over the Beira Lake.

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. 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	2021/22	2020/21	%
Revenue*			
Property Development	41,102	1,612	2,450
Real Estate	374	298	26
Total	41,476	1,910	2,072

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

Property Development

- Revenue from the 'Cinnamon Life Integrated Resort' was recognised during the year post the completion and handover of all sold residential and commercial units. The project accounted for ~85 per cent of the total revenue in the industry group.
- Revenue growth was further driven by the encouraging sales momentum witnessed in the 'Tri-Zen' project amounting to Rs.5.74 billion during the year under review [2020/21: Rs.1.30 billion].
- Real estate sales at RHL also contributed to revenue, with all land plots in 'Peacock Valley' and 'Mara Ridge' fully sold by the second quarter of 2021/22.
- Revenue from the operation of the 18-hole champion golf course at RHL recorded an improvement due to a resumption in activities since the pandemic.

Real Estate

- The increase in revenue in the Real Estate sector is primarily attributable to the resumption in mall operations post the easing of restrictions. The malls were closed during select periods of the year given restrictions in movement.
- The 'Crescat Boulevard' which was closed for refurbishment on 31 December 2020 was reopened in November 2021.

Rs.million	2021/22	2020/21	%
EBITDA*			
Property Development	2,724	160	1,605
Real Estate	241	(177)	236
Total	2,965	(17)	17,191
PBT**			
Property Development	(1,030)	76	(1,453)
Real Estate	183	(212)	186
Total	(847)	(136)	(521)

**Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

***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.
- However, given the current market conditions and uncertainty, the steep depreciation of the Rupee and the outlook on US Dollar linked rental for commercial space, as a prudential measure, Waterfront Properties (Private) Limited (WPL) reassessed the fair value of the office spaces at the 'Cinnamon Life Integrated Resort', and accordingly recognised an impairment loss of Rs.4.90 billion on its investment property. As outlined under the Group Consolidated Review, this has been adjusted for in arriving at the recurring performance of the industry group.
- Accordingly, the recurring EBITDA of the industry group amounted to Rs.7.87 billion, a notable increase over the previous year [2020/21: negative Rs.17 million].
- Performance driven by the Real Estate sector was primarily on account of the resumption in mall activities and fair value gains recorded in certain businesses within the sector.
- Excluding the aforementioned IP loss at WPL, the fair value gains/losses on IP for the industry group amounted to a gain of Rs.614 million in 2021/22 in comparison to the loss of Rs.291 million in 2020/21. The fair value loss on IP of Rs.349 million recorded in 2020/21 at 'Crescat Boulevard' reduced to a loss of Rs.42 million in 2021/22, contributing to the increase in EBITDA during the year under review.

Revenue from the 'Cinnamon Life Integrated Resort' was recognised during the year post the completion and handover of all sold residential and commercial units.

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Assets			
Property Development	265,204	185,803	43
Real Estate	11,550	11,079	4
Total	276,754	196,882	41

- The increase in assets of the industry group is primarily driven by the Property Development sector, on account of project related costs pertaining to the 'Cinnamon Life Integrated Resort' which is captured under other non-current assets as work-in-progress costs. The relevant costs pertaining to the commercial tower at the 'Cinnamon Life Integrated Resort' were recognised under investment property as at 31 March 2022.
- The USD 395 million syndicated loan facility at 'Cinnamon Life Integrated Resort', which was due for repayment in July 2022, was successfully refinanced in December 2021 through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million.
- During the year under review, debt at 'Cinnamon Life Integrated Resort' increased by Rs.42.56 billion to Rs.101.41 billion [2020/21: Rs.58.86 billion], primarily due to the translation impact of its foreign currency denominated syndicate debt facility given the steep depreciation of the domestic currency towards the latter end of the year under review.

Natural Capital

The industry group places significant emphasis on minimising the impact of its operations on natural resources. Continuous efforts and initiatives are rolled-out to reduce its energy and water usage within its businesses, whilst operating within the Group's Environmental policies and industry best practice.

Energy and emissions management

Relevance: Financial, regulatory, and brand reputation implications

Approach

- Implementing and improving energy efficiency.
- Use of renewable energy sources.

Initiatives

- Installation of a Variable Frequency Drives (VFD) chiller at 'Crescat Boulevard' resulting in an annual saving of ~ 360,000 kWh.
- Efficient usage of energy through continuous replacement of existing fluorescent lamps with light emitting diode (LED) lighting.
- Continued operation of the biogas plant at RHL which generates renewable energy from organic waste.

Water and waste management

Relevance: Implications on brand image and environment, compliance with Government and industry regulations

Approach

- Compliance with all regulatory requirements in relation to responsible waste disposal.
- Conservation of water.

Initiatives

- Implemented the drip irrigation system at 'K-Zone Ja-Ela' which uses harvested rainwater.
- WBL continued to use condensed water from air conditioners for irrigation.
- Continued disposal of plastic and e-waste through contracted third-party recyclers.
- 7,452 kg of paper waste recycled.
- Restructuring the road at 'Crescat Boulevard' facilitated by 'Plasticcycle' through 'AGC Innovate', using Plastic Modified Asphalt Concrete (PMAC).
- Continued segregation of waste into colour-coded bins at cafeterias and garbage collection points in WBL and MKL.

Waste

RHL aims to reduce its waste to landfill by 80%, against the 2018/19 baseline.

Goal	Status
80% ↓ by 2024/25	99% ↓ during 2021/22

Note: The status disclosed above is the progress made at the end of the current financial year and the performance measured against the goal will be reported independently of each year against the goal of the baseline year.

Indicators

Carbon Footprint (MT)

Waste Disposed (kg '000)

Industry Group Review

Property

Human Capital

The industry group continued its focus on training and development initiatives to ensure the development of employees. The industry group customised activities as per job requirements and training was conducted virtually considering limitations due to the pandemic.

Health and safety

Relevance: Monitoring occupational health and safety incidents and practices. Assessing the risks arising from its business model of utilising third party construction contractors, and implications on brand image

Approach

- Maintaining health and safety related processes and practices.
- Training and creating awareness.

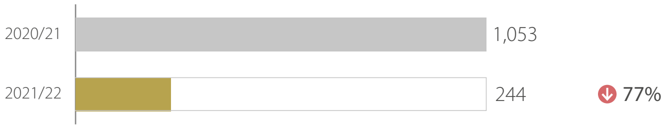
Initiatives

- ISO 45001 health and safety surveillance audits and internal audits were carried out to ensure maintenance, housekeeping, and security at all malls.
- Health and safety internal audits were carried out at head office, WBL and MKL in order to maintain a safe workplace.
- Training sessions were conducted onsite including on-the-spot, special and refresher trainings, firefighting, emergency evacuation for workers at the construction sites.
- Continued verification of food hygiene standards at malls through regular food sample tests.
- Dengue preventive activities were carried out to ensure a safe working environment.
- 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.
- Continued preventive measures were taken to control the spread of COVID-19.

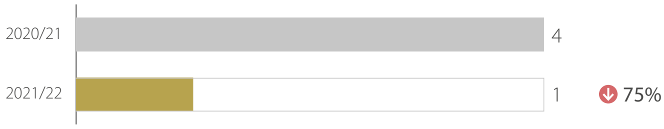
Number of Employees 260

Indicators

Training (Hours)



Training Per Employee (Hours)



An Arts workshop for children and youth at the De Mel Park Community Centre, Colombo 2.

Fire safety training at 'Crescat Boulevard'.

Social and Relationship Capital

The industry group continued its efforts to maintain and strengthen relationships with its diverse stakeholders. Additional efforts were made to support the community on challenges faced due to the COVID-19 pandemic.

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

Community development

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

Approach

- Building and maintaining relationships among diverse communities.
- Development of skills and employability of youth by providing job opportunities.

Initiatives

- The Property industry group in collaboration with John Keells Foundation (JKF) continued its public-private partnership with Sri Lanka Railways for the 18th consecutive year to refurbish and maintain the historic Slave Island railway station in Colombo. During the year, partial refurbishment was initiated while routine maintenance services were provided to the railway station.
- Continued to support JKF's initiatives under John Keells 'Praja Shakthi' project in Colombo 2 by:
    - Assisting in ongoing needs assessment and planning of capacity development activities to support street vendors engaged in catering services in collaboration with the Colombo Municipality Council.
    - Supporting the conduct of strategic needs assessments for 'Metro Homes Residencies' (adjacent to 'Cinnamon Life Integrated Resort') including the identification and sourcing of security measures for the housing complex following a request for support by the 'Metro Homes Residencies'.
    - Supporting the establishment of a Child Resource Centre at the De Mel Park Community Centre, Colombo 2 in collaboration with ChildFund Sri Lanka.
- Under 'John Keells Praja Shakthi' project in Nithulemada, RHL continued its collaboration with JKF and the Provincial Ministry of Education to establish a pre-school in the village adjoining the 'Victoria Golf and Country Resort'. Survey and demarcation of the related land have been completed while plan clearance has been initiated.
- English and Information Technology scholarships were awarded to 37 school children under the 'English for Teens' initiative of JKF's English Language Scholarship Programme.

Financial Services

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 enterprise (SME) clients.
  - Sole acquirer of the flagship centurion product range of American Express cards in Sri Lanka.
  - Largest issuer of credit cards in Sri Lanka.

Stock Broking

- 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

10% Revenue

24% EBIT

3% Capital Employed

1% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	74,248	76,080	(2)	60,058
Total equity	17,100	19,465	(12)	18,376
Total debt[1]	161	143	12	331
Capital employed[2]	17,705	19,906	(11)	18,972
Employees (No.)[3]	822	824	(0)	877

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover[4]	24,149	20,890	16	19,675
EBIT	5,000	3,360	49	2,755
PBT	4,995	3,360	49	2,755
PAT	4,314	2,497	73	2,222
EBIT per employee	6	4	49	3
Carbon footprint (MT)	885	992	(11)	1,388

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.

Macroeconomic Update

- Sri Lanka's financial services industry recorded an 8 per cent growth in CY2021 [CY2020: 11 per cent] and contributed 9 per cent to GDP during the year [CY2020: 9 per cent].
- The insurance industry recorded total assets at Rs.879.8 billion in CY2021, an 11 per cent growth against the previous year [CY2020: Rs.789.7 billion], while gross written premium (GWP) noted a 12 per cent increase to Rs.233.8 billion [CY2020: Rs.208.2 billion].
- The life insurance industry recorded a 21 per cent growth in GWP during CY2021, amounting to Rs.124.74 billion [CY2020: Rs.103.03 billion]. The growth in premiums were primarily driven by growth in single premiums, regular new business premiums and renewal premiums which grew by 59 per cent, 29 per cent and 15 per cent, respectively.
- Private sector credit growth increased to 13.1 per cent in CY2021 [CY2020 6.5 per cent] which was driven by the accommodative monetary policy stance adopted during the year.
- Industry gross non-performing loans (NPL) reduced to 4.5 per cent in CY2021 in comparison to 4.9 per cent recorded in CY2020.
- The All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) recorded a 80.5 per cent gain in CY2021, the highest annual return recorded since CY2010, whilst the Standard and Poor's Sri Lanka 20 (S&P SL20) index noted a 60.5 per cent increase in CY2021, which is the highest ever recorded [CY2020: negative 10.2 per cent].
- Daily average turnover of equity stood at Rs.4.89 billion in CY2021, a 157 per cent increase against the previous year [CY2020: Rs.1.90 billion], primarily driven by high domestic investor participation.
- The CSE revised the index calculation methodology of the ASPI to a free float adjusted market capitalisation weighted index effective 24 January 2022 onwards (previously the ASPI was a full market capitalisation weighted index).
- The CSE enabled local entities incorporated in Sri Lanka to issue and list foreign currency denominated shares on the CSE subject to predefined conditions, including requirements on foreign currency revenue generation.
- The revised Security Exchange Commission (SEC) Act No. 19 of 2021 amended the Central Depository Systems (CDS), Automated Trading Systems (ATS), listing and stockbroker rules of the CSE to facilitate the implementation of the Delivery Versus Payment (DVP) settlement mechanism which enhanced the margining model facilitating multi-currency trading.
- The CSE and the SEC commenced a project to launch a Central Counter Party (CCP) system for equities which will significantly enhance the post-trade risk management of the equity market.

Key Policy and Regulatory Highlights

- Since January 2021, the Central Bank of Sri Lanka (CBSL) increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) twice by a total of 200 basis points each with the rates at 6.5 per cent and 7.5 per cent as at March 2022, respectively, whilst the Statutory Reserve Ratio (SRR) was increased by a total of 200 bps to 4 per cent as at March 2022. Subsequently in April 2022, the SDFR and SLFR were increased by 700 basis points to 13.5 per cent and 14.5 per cent respectively on the back of inflationary pressures, driven by demand-pull inflation, domestic supply disruptions, foreign exchange challenges and global increases in commodity prices.
- The grace period offered on Saubhagya COVID-19 Renaissance Facility for businesses was extended till 31 December 2021.
- A refinance scheme to support state owned enterprises (SOE) was introduced.
- The CBSL implemented many guidelines to limit the outflow of foreign currency from the banking system, such as a 100 per cent cash margin requirement on selected imports, restrictions on forward rate contracts, mandates issued for all licensed banks to convert a specified proportion of foreign currency received via the general public through export proceeds and worker remittances to the CBSL.
- Policy interventions on market driven aspects such interest rate caps continued during the year.
- The Financial Intelligence Unit of Sri Lanka (FIU) rolled-out regulations aimed at introducing additional measures to mitigate the emerging money laundering/terrorist financing risks, especially to address the third wave of the COVID-19 pandemic.
- The Insurance Regulatory Commission of Sri Lanka (IRCSL) introduced regulations stipulating the maximum commission rates payable to insurance brokers and insurance agents by an insurer.
- Value added tax (VAT) on financial services were increased from 15 per cent to 18 per cent from January 2022 onwards.

Industry Group Review

Financial Services

Operational Review

Insurance

UA recorded an 18 per cent growth in GWP, primarily driven by a 42 per cent increase in regular new business premiums, which in turn, resulted in UA being placed as the second largest regular new business producer in the industry. Renewal premiums noted a 12 per cent growth reflecting the recovery to normalised premium payment patterns whilst first year premiums demonstrated a 42 per cent growth, well above the industry average growth of 29 per cent.

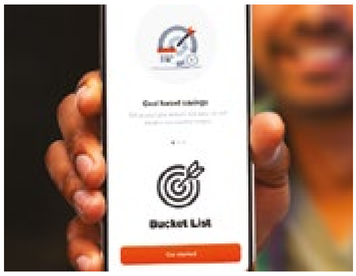
The agency channel continued to be the primary channel contributor to revenue contributing 81 per cent to GWP and recording a 15 per cent growth during the year under review. The business also continued to strengthen its bancassurance channel which recorded a growth of 27 per cent in comparison to the previous year. To this end, UA extended its long-term partnership with NTB and entered into a partnership with Standard Chartered Bank. UA further strengthened its partnerships with multiple leading banks consolidating its position as a leading bancassurance provider in the country. The alternate channel, which acts as a complementary channel to the agency and bancassurance channels, recorded a growth of 34 per cent.

Net investment income recorded a growth of 5 per cent in CY2021 [CY2020: 10 per cent].

The business continued to maintain a strong solvency position, despite the volatile market with the Capital Adequacy Ratio (CAR) at 228 per cent as at CY2021, which is significantly above the minimum 120 per cent CAR threshold stipulated by the IRCSL. Total assets under management stood at Rs.70.76 billion as at CY2021, a 13 per cent growth against the comparative year [CY2020: Rs.62.60 billion]. UA's investment portfolio stood at Rs.59.33 billion recording a 13 per cent growth in CY2021 while the Life Fund, which is backed by reputed re-insurers with an international credit rating of 'A-' or above, recorded a 17 per cent growth to Rs.48.91 billion.

Underwriting and net acquisition costs increased by 33 per cent to Rs.2.84 billion on account of strong growth in regular new business premiums. Claims and benefits to policyholders recorded a 22 per cent increase to Rs.4.61 billion [CY2020: Rs.3.79 billion] on the back of maturity payouts in accordance with the contractual obligations and an increase in surrender payouts due to adverse economic conditions.

'Union Smart Life' was launched during the year.



'Fri-Mi' launched several new digital features.

The Life Insurance business recorded a surplus of Rs.1.60 billion [CY2019: Rs.825 million] as per the actuarial valuation carried out at the end of 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 - continues to remain restricted subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL.

UA also established the SLFRS-17 steering committee to ensure strategic, tactical, and operational readiness for the implementation of SLFRS-17, which included implementing a SLFRS-17 roadmap.

During CY2021, 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. The 'Clicklife' self-servicing app, a turnkey end-to-end digital insurance solution launched in CY2020 continued to perform beyond expectation providing customers greater remote accessibility with added service features. Digitisation initiatives during the year included:

- Launch of 'Union Health 360', a health insurance solution that covers a wide range of health protection needs for the entire family.
- Launch of 'Union Smart Life', an investment product which also provides long-term protection and an attractive return at maturity.

Awards

- 'Most Innovative Digital Insurance Company and Digital Innovative Sri Lanka' at the International Business Magazine Awards 2021.
- 'Best Workplace in the Insurance Sector' and 'Most Innovative Insurance Services Provider' at the Global Economics Awards 2021.
- 'Best Life Insurance Company Sri Lanka 2021', 'Most Admired Insurance Company of the Year - Sri Lanka' and 'Digital Insurance Innovation of the Year 2021' at the World Economic Magazine Awards 2021.
- 'Domestic Life Insurer of the Year - Sri Lanka' and 'New Insurance Product of the Year - Sri Lanka' at the Insurance Asia Awards 2021.
- 'Sri Lanka's Best Customer Service Insurance Provide' at the International Finance Awards 2021.
- Winner of 'Great Place to Work' title for the 9th consecutive year as well as the 'Best Place to Work in Asia 2021' title.

Banking

NTB continued to adapt to challenging circumstances during the year under review by delivering customer-centric solutions, continued stability and record profitability aided by the digitisation of processes and optimisation of risk-reward dynamics.

The deteriorating external financing position coupled with a decline in tourism earnings and remittances impacted Sri Lanka's foreign exchange reserves, which compelled the CBSL to introduce several measures to limit foreign currency outflows from the banking system. Although such policy interventions are deemed necessary during periods of uncertainty, reverting to a more market driven approach is required once the current volatility settles.

NTB continued to adopt a cautious and selective approach to lending, refocusing on segments of the economy that are anticipated to have upside potential and critical to the economy such as export oriented and local manufacturing sectors. Through this focused strategy, NTB was able to secure an 18 per cent growth in loans and advances. The growth in net interest income (NII) was 3 per cent as a result of regulatory caps on interest rates on selected products and conscious efforts to optimise risk-reward dynamics through increasing exposure to wholesale banking. The relatively slower NII growth, against a portfolio expansion of 18 per cent led to a net interest margin of 3.9 per cent for CY2021 [CY2020: 4.1 per cent].

Despite the lacklustre economic conditions and increased provisioning requirements stemming from the downgrade of the sovereign rating, the Bank was able to improve its credit quality, with impairment charges declining by 3 per cent in CY2021. Gross non-performing loans (NPL) ratio declined to 4.9 per cent [CY2020: 7.2 per cent], on the back of customer-centric repayment plans and in lieu of the selective approach to lending followed by the Bank in recent years.

The Bank continued to strengthen its 'digital first' approach by driving operating efficiencies through automation of internal processes and productivity improvements as outlined in detail in the ensuing section, which led to a 2 per cent reduction in operating expenses. This translated to a significant improvement in the cost to income ratio which decreased to 39 per cent in CY2021, in comparison to 45 per cent in CY2020.

During the year under review, NTB successfully raised Rs.4.00 billion through a rated, senior, redeemable debenture and also obtained a USD 40 million facility from FMO, the Dutch Entrepreneurial Development Bank, which further strengthened 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 15.3 per cent and 18.0 per cent, respectively [CY2020: 14.8 per cent and 18.3 per cent, respectively].

As disclosed to the CSE in December 2021, the Group currently holds 29.48 per cent of voting shares in NTB. By the letter dated 21 December 2020, the director of bank supervision of the CBSL, directed the Group to reduce its voting shareholding in NTB to 20 per cent on or before 31 December 2021 and to 15 per cent by 31 December 2022. JKH has requested for an extension of the deadline from the CBSL given the current environment.

The Bank's digitally enabled customers increased by 14 per cent whist digital transactions accounted for 87 per cent of total transactions [CY2020: 82 per cent]. To this end, the Bank capitalised on the customers' unprecedented shift to digital platforms post-pandemic, focusing on the entire customer journey by launching several innovative value-added digital solutions whilst improving customer relationships and increasing wallet share. Further, 'FriMi' was the first private banking app to be awarded a nationwide payment project for the roll-out of Quick Response (QR) based payments for the expressway, in partnership with the Road Development Authority (RDA). Other key developments during the year under review include:

Customer Onboarding

- Nations Alpha - Fully digital customer on boarding platform, inclusive of eKnow Your Client (KYC) and vKYC features, which has enabled paperless activation of accounts, eliminating the need for physical visits to branches.

Customer Management

- Smart automated teller machine (ATM) and customer relationship management (CRM) - Allows customers to self-activate cards and generate a green personal identification number (PIN) and other self-servicing features.
- Smart Collect - Digitalisation of cash collection and integration of online settlement methods for credit cards, loans and leases.
- Smart Statements - A holistic overview of transactions and in-depth analysis of the portfolio.

Communications

- Nations e-Box - Access to customer letters and notices.

Awards

- 'Best Customer Service Bank - Sri Lanka' and 'Best Digital Bank - Sri Lanka' at the World Economic Magazine Awards 2021.
- Ranked among the 'Top 50 Digital Challenger Banks' in Asia Pacific.
- Bronze award - 'Online Brand of the Year' at the SLIM Brand Excellence Awards 2021.
- Federation of Information Technology Industry Sri Lanka (FITIS) Digital Excellence Awards 2021:
  - Gold award - Connected Product ('FriMi')
  - Gold award - Workforce Enablement
  - Silver award - Digital Marketing Strategy ('FriMi')
  - Silver award - Digitised Organisation
  - Silver award - Connected Partner Ecosystem
  - Bronze award – Customer Centric Process Automation

Stock Broking

The prevailing low interest rate regime coupled with a notable increase in domestic participation aided the Sri Lankan equity market to perform exceptionally well and contributed to a significant rise in market turnover levels during the year under review. Whilst this momentum was successfully maintained during most parts of the year, the market witnessed a slowdown in activity in the fourth quarter of the year on the back of an increase in interest rates and deterioration of the economy while on the global front, uncertainty associated with Russia and Ukraine as well as the hawkish monetary policy of the Federal Reserve also exerted pressure.

JKSB continued to focus on updating its processes and systems to improve alignment with client needs and adopted digitalised solutions and efficient cost management methods to strengthen its digital presence. During the year under review, JKSB also launched the mobile app 'DirectFN' facilitating client engagement, investor forums and access to market updates and research reports. Client account details such as cash account analysis, portfolio and dividends received were made available on this platform.

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	2021/22	2020/21	%
PBT*			
Insurance	2,645	1,596	66
Banking	2,148	1,594	35
Stock Broking	202	170	19
Total	4,995	3,360	49

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

Insurance

- The business witnessed a strong performance in its gross written premiums (GWP), recording a growth of 15 per cent during the year under review [2020/21:18 per cent]. The growth in GWP was driven by a 29 per cent increase in regular new business premiums and a 15 per cent increase in renewal premiums.
- Benefits and claims increased by 25 per cent to Rs.4.87 billion [2020/21: Rs.3.90 billion] on account of an expansion of the policy portfolio base, increase in maturities payout in line with contractual obligations and increase in surrender payouts stemming from adverse economic conditions. Net claims amounted to 32 per cent of net written premiums [2020/21: 29 per cent].
- Underwriting and net acquisition costs increased by 31 per cent to Rs.2.96 billion in line with new business growth.
- Investment income in 2021/22 stood at Rs.5.39 billion, a 6 per cent growth in comparison 2020/21, supported by a realignment of the asset allocation, despite the subdued market interest rates that prevailed during most parts of the year.
- Stringent cost optimisation measures enabled UA to manage its operating expenses, despite the inflationary pressures and the steep currency depreciation towards the latter part of the year. Accordingly, the expense ratio was 23 per cent [2020/21: 24 per cent].
- Life insurance contract liabilities including unit-linked funds increased by 14 per cent to Rs.51.35 billion, due to the increase in contract liabilities by Rs.6.19 billion during the year as a result of the growth of the business.
- UA recorded an annual life insurance surplus of Rs.1.60 billion 2021/22, a notable increase against the surplus of Rs.825 million recorded in the previous year.
- Fairfirst Insurance Limited, an equity accounted investee under UA, with interests in the general insurance industry, recorded a 14 per cent increase in PAT.

Banking

- NTB recorded an increase in profits despite the challenging operating environment, given efforts aimed at driving cost efficiencies through automation and lean management initiatives.
- NTB recorded an 18 per cent in net interest income (NII) mainly stemming from a portfolio growth of 20 per cent based on the selective lending strategy adopted by the Bank. Further, the NII growth was assisted by a ten-basis point increase in margins in comparison to 2020/21.
- The non-performing loans (NPL) ratio declined to 5.31 per cent in comparison to 6.16 per cent in 2020/21 reflecting improvements in portfolio quality, as outlined.
- The impairment charges for the year increased by 45 per cent mainly due to prudential provisions made on both customers and Sri Lanka Government securities denominated in foreign currency based on macroeconomic factors and moratorium fallouts.
- Focused cost management strategies enabled the business to reduce its operating expenses resulting in an improvement of the cost-to-income (CI) ratio to 36.8 per cent during the year under review [2020/21: 43.4 per cent].

Stock Broking

- The Stock Broking business recorded a 21 per cent increase in revenue during the year under review, primarily in lieu of the retail segment [2020/21: 197 per cent growth]. However, due to uncertainties associated with the macroeconomic environment, the business witnessed a slowdown in activity and relatively lower market turnovers in the fourth quarter of 2021/22.
- The business rolled-out various initiatives aimed at managing its operational cost, which resulted in productivity and cost efficiencies positively impacting the profitability of the business.

Rs.million	2021/22	2020/21	%
PAT*			
Insurance	2,014	777	159
Banking	2,148	1,594	35
Stock Broking	152	126	21
Total	4,314	2,497	73

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

- Insurance - The strong growth in GWP coupled with the optimisation of expenses resulted in an increase in PAT of the Life Insurance business. The downward revision of the tax rate from 28 per cent to 24 per cent which was effective from 1 January 2021, the repeal of notional tax credit and the economic service charge (ESC) write off contributed to the increase in PAT during the year under review.
- Banking - Trading gains, cost efficiencies, improvement in portfolio quality and the reduction in the effective tax rate led to an increase in profitability at NTB.

Natural Capital

The Financial Services industry group strives to operate with minimal impact to the environment in accordance with the Group's environmental policies, particularly given its service-oriented nature of operations.

Energy and emissions management

Relevance: Financial, regulatory, and brand reputation implications

Approach

- Improving energy efficiency and conservation.
- Alignment with international best practice and standards.

Initiatives

- Replacement of traditional light bulbs with energy efficient LED bulbs resulting in an annual saving of ~100,000 kWh.
- Monitoring of energy consumption, rationalisation of branch networks and relocating to more energy efficient buildings.

Waste and effluent management

Relevance: Regulatory and brand reputation implications

Approach

- Compliance with all regulatory requirements for responsible water discharge and waste disposal.

Initiatives

- 98,000 litres of water collected by UA as a by-product of condensation from air conditioners, was reused for washing of vehicles.
- Effluents discharged was in line with requisite water quality standards, where relevant.
- UA continued to operate the wastewater treatment plant at the Kurunegala branch.
- UA segregated and disposed the following waste through third-party recyclers thereby diverting waste away from landfills;
  - 6,166 kg of paper waste
  - 72 kg of plastic
  - 13,200 kg of food waste

Indicators

Carbon Footprint (MT)

Human Capital

As a service-oriented industry group, significant emphasis is place on the management of Human Capital, with regular training and development opportunities provided to employees to enhance service levels and customer satisfaction. Several initiatives were carried out during the year to ensure employees were provided with a safe working environment.

Health and safety

Relevance: Providing a safe working environment to improve employee productivity

Approach

- Maintaining health and safety related procedures and practices.
- Training and creating awareness.

Initiatives

- The annual fire evacuation drill was conducted at the UA head office in association with the Colombo Fire Brigade.
- COVID-19 workplace safety procedures and guidelines were followed to ensure employee and customer safety.

Talent management

Relevance: The need to continuously upgrade the skills of existing staff

Approach

- Attracting and retaining high-potential individuals.
- Providing regular training and development opportunities.

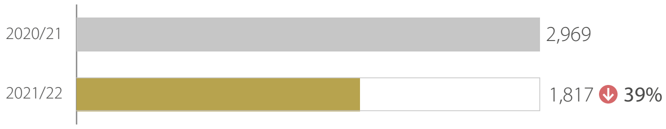
Initiatives

- Conducting HIPO (High Potential Individuals) programmes targeting employees at mid-level positions by providing exposure to cross functional projects and identification of talent through a comprehensive selection process.
- The SMT (Senior Management Team) programme was conducted enabling employees to be a part of high-level decision-making and idea generation platforms in order to improve career development and succession planning.
- OMT (Operational Management Team) and JMT (Junior Management Team) programmes were launched during the year paving the way for employees to be a part of high-level of exposure driven platforms to aid career progression.

Financial Services

Indicators

Training (Hours)



Injuries (Number)

Social and Relationship Capital

The Financial Services industry group carried out community engagements with various stakeholders aimed at empowering communities, thereby fostering greater productivity and efficiency within the industry and economy. Community engagement activities were conducted throughout the year in accordance with statutory obligations and the Code of Conduct specified by the Group.

Significant Suppliers

- Reinsurance partners
- Janitorial services providers
- Security services providers
- Bancassurance partners

Ethics, fraud, and corruption

Relevance: Impact on brand reputation and possible regulatory non-compliance

Approach

- Strict monitoring of processes related to fraud and corruption.

Initiatives

- Conducted audits and reviews to ensure coverage of fraud, corruption, and unethical behaviour under the overall risk management process of the Group and statutory requirements.
- UA produced 300 'Million Dollar Round Table' (MDRT) qualifiers which was the highest ever in the Sri Lankan insurance industry in CY2021. This showcased a high standard of excellence including providing outstanding client service and strict ethical conduct.

Community development

Relevance: Impact on brand reputation and possible regulatory non-compliance

Approach

- Providing education opportunities for the youth.
- Supporting communities impacted by COVID-19.

Initiatives

- UA partnered with the Department of Probation and Child Care Services together with leading companies in Sri Lanka to provide e-learning facilities to selected child development centres in Sri Lanka. 50 units of tabs and computers were donated to children in these development centres to facilitate uninterrupted education during the pandemic.
- UA sponsored the annual education expenses of ~220 children based in SOS children's villages of Monaragala and Nuwara Eliya towards ensuring uninterrupted learning support during the pandemic.
- Under the 'English for Teens' initiative of John Keells Foundation's English Language Scholarship Programme, 89 English and IT scholarships were awarded to high performing school children. UA also represented JKF at the annual 'English for Teens' inauguration programmes in Mullaitivu and Vavuniya,
- As a part of UA's COVID-19 response, medical equipment were donated to Gampaha, Anuradhapura, Medawachchiya and Kamburupitiya base hospitals.
- UA in partnership with the Disaster Management Centre, A-PAD and 'Cinnamon Hotels & Resorts' distributed ~3,000 meals to people affected by inclement weather as part of the 'Meals that Heal' food donation initiative by 'Cinnamon'.
- UA in partnership with the Ministry of Health launched a public campaign to raise awareness on protection against COVID-19.

UA sponsored the annual education expenses of ~220 children based in SOS children's villages of Monaragala and Nuwara Eliya towards ensuring uninterrupted learning support during the pandemic.

Other, including Information Technology and Plantation Services

Industry Group Structure

Information Technology

IT Services

- John Keells IT (JKIT) - a boutique Information Technology (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 value stacks:
  - 'JKIT Strategy' – experiencing a data-driven economy through design thinking.
  - 'JKIT Core' – orchestrating enterprise application portfolios.
  - 'JKIT Cloud' – architecturing cloud transformation.
  - 'JKIT Platform' – enabling a 'Smart' future.
  - 'JKIT Ecosystem' – driving the Application Programming Interface (API) economy.

IT-Enabled Services

- Infomate - a business process management (BPM) service provider with the mandate of driving greater efficiencies for its 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 six 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

2% Revenue

25% EBIT

21% Capital Employed

2% Carbon Footprint

Inputs (Rs.million)	2021/22	2020/21	%	2019/20
Total assets	134,622	81,241	66	43,096
Total equity	54,578	30,367	80	38,495
Total debt[1]	72,510	47,562	52	2,705
Capital employed[2]	127,088	77,930	63	41,200
Employees (No.)[3]	1,227	1,196	3	1,335

Outputs (Rs.million)	2021/22	2020/21	%	2019/20
Turnover	4,041	3,949	2	3,803
EBIT	5,291	2,907	82	1,178
PBT	21,090	3,291	541	2,817
PAT	16,625	2,356	606	2,065
EBIT per employee	4	2	77	1
Carbon footprint (MT)	2,202	2,543	(13)	3,012

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

Industry Group Review

Other, including Information Technology and Plantation Services

External Environment and Operational Review

Macroeconomic Update - Information Technology

- Businesses continued to invest in technology to accelerate the digitisation of value chains, operations, and supply chains in order to capitalise the shift in consumer behaviour post-pandemic.
- Partner selection and the solution/service portfolio was primarily based on the demand for end-to-end solutions and service providers with the requisite credentials and capabilities.
- The solution areas in demand continued to be across core modernisation, cloud enablement, industry 4.0 and associated solutions, collaboration, mobility, personalisation, intelligent automation, advanced analytics, digital identity management, among others. Enhanced and deep capability in cyber security and resilience also continued to be a key focus area towards a secure and scalable digital platform for businesses.
- The IT/ business process outsourcing (BPO) sector surpassed the USD 1 billion mark in revenue during CY2021.
- The national chamber for the IT/ BPM industry in Sri Lanka aims to achieve USD 5 billion in annual revenue, employing over 200,000 highly skilled professionals, and launching over 1,000 startups by CY2025.

Key Policy and Regulatory Highlights

- Sri Lanka commenced the development of the Galle technology park in February 2022. Spanning across a 30- acre site, the technology park is scheduled to be completed by CY2023. Technology parks are also planned at Kurunegala, Kandy, Nuwara Eliya and Habarana.
- The Government passed the Personal Data Protection bill in March 2022, which aims to protect the individual data held by Government entities and private entities, including private personal data aggregating and processing entities, and mandates the lawful processing of data, limiting retention and complying with detailed transparency and accountability obligations, among others.

Information Technology

John Keells IT (JKIT) continued to accelerate its growth during the year under review by strengthening its global partnerships and market presence as well as by adopting prudent cost curtailment measures. JKIT was able further strengthen and expand on its partnerships with Microsoft, SAP and UiPath across Sri Lanka, Middle East, Africa and Southeast Asia which enabled the business to maintain its global accreditation as a 'Gold level' partner with all three entities, and further augment its brand and service recognition.

Pandemic induced challenges during the year exerted pressure on the business's expansion strategy across international markets. As a result, Go-to-Market (GTM) partnerships and operations across the regions were hampered and the business proactively diverted efforts towards directly growing the business from Sri Lanka.

The renewed strategy to align solutions under a broader umbrella of JKIT was received well during the year and measures were taken to introduce 'JKIT-Strategy', further augmenting the previous solutions value stacks, 'JKIT-Core', 'JKIT-Cloud', 'JKIT-Platforms', and 'JKIT-Ecosystems'. The business also focused on positioning JKIT as a boutique consultancy and professional services organisation by engaging in various curated promotional activities during the year under review.

JKIT continued to focus on delivering innovative solutions to clients by providing holistic and transformative solutions and services across the five value stacks of 'Strategy', 'Core', 'Cloud', 'Platforms' and 'Ecosystems'. To this end, the business launched a multitude of IT based solutions integrating the value stacks to create 'Smart' platforms focused on specific industries:

- 'Smart' Factory – An IoT (Internet of Things) enabled asset with an environment monitoring platform, that provides a series of solutions including receiving live updates on a wide spectrum of measurements, notifying responsible parties on anomalous behaviour, generating time-series prediction graphs, and generating customisable reports across a range of industry verticals.
- 'Smart' Banking – Re-designed mobile banking app, providing a series of banking solutions such as online banking, mobile banking, online bill payments, debit card controls and mobile wallets which is backed by an administration portal which allows easy configurations and control for banks.

During the year under review, the business continued to leverage on solutions based on 'Smart' platform stacks for Office, Home, Retail, Airport, Automotives, as outlined in detail under the JKH Annual Report 2020/21.

The Group's BPM operations in Sri Lanka, Infomate, recorded an encouraging performance during the year and was recognised within the top six BPO companies in Sri Lanka. The business was successful in expanding its client portfolio especially across Australia, the Nordic region and in the Middle East region. The business also expanded its portfolio of services offered to include human resource outsourcing, lead generation and documentation services during the year under review.

Awards

- John Keells IT
    - 'Game Changer' award received at SAP King of Cluster.
    - Automation Excellence Awards 2021 – Sri Lanka.
    - Azure Tech Intensity Partner of the Year 2021.
    - Azure Migrate Partner of the Year 2021.
    - SAP on Azure Partner of the Year 2021.
    - Principle recognition award received for highest business generated partner on the UiPath platform in CY2021.
- Infomate certified with 'Great Place to Work' certification for the first time in its operations.

Macroeconomic Update - Plantation Services

- Global tea production increased by 3 per cent in CY2021 in comparison to the contraction recorded in CY2020. The growth in production was mainly driven by India, China, and Sri Lanka, although China continued to retain its position as the world's largest tea producer, followed by India and Kenya and Sri Lanka. Kenya noted a 7 per cent contraction in tea production due to adverse weather conditions.
- Sri Lanka recorded a 7 per cent growth in tea production to 299,338 MT during CY2021 [CY2020: 278,489 MT] with both high grown and low grown elevations displaying a substantial growth over the corresponding period of CY2020.
- Sri Lanka tea exports for CY2021 stood at 286.0 million kg in comparison to 265.6 million kg recorded in CY2020. Iraq emerged as the largest importer of Sri Lankan tea in CY2021 recording a growth of 27 per cent followed by Turkey, Russia, United Arab Emirates (UAE), Iran and China. The ongoing Russia-Ukraine conflict impacted Sri Lankan tea exports from the onset of the war in February 2022.
- Given global supply-demand dynamics, average tea prices at the Colombo Tea Auction decreased by Rs.12.77 per kg to an average price of Rs.615.44 in CY2021 in comparison to the average price of Rs.628.21 in CY2020.
- The Colombo Tea Traders' Association (CTTA) upgraded its online platform to an advanced state-of-the-art platform, 'SmartAuction', in January 2022 which provides access to real-time data driven features and drive efficiency.

Key Policy and Regulatory Highlights

- In April 2021, the Government of Sri Lanka imposed a ban on the importation of agrochemicals such as pesticides and weedicides, with the intention of promoting organic farming. Since the overnight transition to organic farming resulted in many challenges and disruptions, this decision was revisited. Select chemical fertilisers were allowed in July 2021 under a license and thereafter, the ban was lifted with effect from 30 November 2021 onwards.
- 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.

Plantation Services

JK PLC increased its market share to 14 per cent during the year under review [2020/21: 13 per cent]. A notable increase in volumes of the high grown and medium grown elevations contributed to this improvement. JK PLC recorded a 6 per cent increase in volumes.

Challenges stemming from adverse weather conditions, the import ban imposed on agrochemicals, and COVID-19 related challenges adversely impacted the tea industry during the year under review. Against this backdrop, production levels were unable to reach its optimal capacity whilst the distribution was hampered on account of global supply chain constraints and the challenging local economy.

TSF recorded an 18 per cent decrease in volumes to 2,966 MT in 2021/22 [2020/21: 3,631 MT], primarily on account of the challenging conditions that prevailed throughout the year. During the year under review, the Karawita tea factory was sub-leased for a period of 10 years. Further, TSF continued to automate certain internal processes which led to an increase in productivity.

JKH resolved to raise funds through a private placement for a maximum cumulative amount of Sri Lankan Rupee (LKR) equivalent of USD 80 million to Asian Development Bank (ADB) in two phases.

Other

In addition to the Information Technology and Plantation Services 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 Natural Capital and Intellectual Capital sections of the Capital Management Review - page 51 and 67

Holding Company

Due to the unprecedented circumstances in the external environment, the Holding Company continued to focus on various measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. While the Group had a strong cash position and availability of banking facilities, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group.

Refer Financial Capital of the Capital Management Review for a detailed discussion - page 41

As disclosed to the Colombo Stock Exchange (CSE) on 22 November 2021, the Company resolved to raise funds through a private placement for a maximum cumulative amount of Sri Lankan Rupee (LKR) equivalent of USD 80 million to Asian Development Bank (ADB) in two phases.

In January 2022, the first phase of the above transaction was completed where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million, resulting in a post-dilution of 4.70 per cent post the first phase. Additionally, in terms of the second phase, the Company also issued non-tradable/ non-transferable options, entitling ADB to subscribe for additional 39,025,204 new

Other, including Information Technology and Plantation Services

ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million. The options exercise price would be based on the volume weighted average price of the Company's ordinary shares as quoted on the CSE during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00 and is exercisable between 19 October 2022 and 18 January 2023. On that basis, the maximum number of ordinary shares that would potentially be issued under the entire transaction, assuming all options are exercised, will be 104,067,210, thereby capping the post-issue dilution on the conclusion of both phases to a maximum of 7.31 per cent.

The proceeds from this transaction will be utilised for the purpose of corporate level balance sheet support towards funding its investments in the Supermarket business and will 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, particularly in terms of providing further leeway to manage the foreign currency commitments of the Group's landmark projects such as the 'Cinnamon Life Integrated Resort' and the West Container Terminal-1 in the Port of Colombo. Additionally, given ADB's investment mandate pursuant to which private sector projects must have clear development impacts and positive externalities, particularly in environmental, social and governance (ESG) aspects, JKH will leverage on ADB's technical expertise and advisory to enhance and further strengthen the Group's existing ESG processes and frameworks to reach best in class benchmarks.

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	2021/22	2020/21	%
Revenue			
Information Technology	1,456	1,088	34
Plantation Services	2,496	2,782	(10)
Other	89	79	14
Total	4,041	3,949	2

- The Information Technology sector recorded an encouraging growth in revenue driven by new client acquisitions at JKIT and Infomate.
- The Plantation Services sector recorded a decline in revenue on account of a drop in production owing to the effects of the prolonged fertilizer shortage arising due to the import ban imposed on agrochemicals which impacted the second half of the year under review.
- The growth in revenue of the Holding Company is primarily on account of higher commercial income and legal fees from equity accounted investees.

Rs.million	2021/22	2020/21	%
EBITDA*			
Information Technology	451	368	23
Plantation Services	285	369	(23)
Other	4,753	2,363	101
Total	5,489	3,100	77
PBT			
Information Technology	518	350	48
Plantation Services	170	249	(32)
Other	20,402	2,692	658
Total	21,090	3,291	541

**Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

- The EBITDA of the industry group recorded a significant increase in lieu of the Holding Company. The Holding Company recorded higher interest income mainly due to an increase in cash and cash equivalents as a result of the entire USD 175 million term loan facility from the IFC being available throughout the current financial year as opposed to approximately six to nine months of the previous financial year.
- The PBT of the Holding Company recorded a significant increase due to exchange gains recorded on its net foreign currency cash holdings:
    - The foreign currency cash holdings includes the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the International Finance Corporation (IFC) term loan facility and the private placement of ordinary shares to ADB.
- The growth in profitability at the Information Technology sector was driven by the increase in revenue, whilst stringent cost savings also aided the business in navigating through cost pressures.
- Profitability in the Plantation Services sector decreased in line with the aforementioned decline in revenue. Performance was also impacted by a bad debt provision for debtors at John Keells PLC considering the stresses faced by tea producers, which distorts the year-on-year comparison.
- The industry group recorded fair value gains on investment property (IP) of Rs.81 million which stemmed from the Plantation Services sector and investments at the Holding Company [2020/21: Rs.18 million].
- The significant foreign currency exchange gain at the Holding Company will be taxed upon realisation as per the current tax regulations. A deferred tax provision amounting to Rs.3.21 billion was recognised in 2021/22.
- On a recurring basis, the aforementioned fair value gain on IP and the deferred tax provision at the Holding Company has been excluded. Accordingly, recurring EBITDA and recurring PAT for the industry group amounted to Rs.5.41 billion and Rs.958 million during 2021/22 respectively [2020/21: Rs.3.08 billion and Rs.677 million respectively].

Balance Sheet Indicators

Rs.million	2021/22	2020/21	%
Debt			
Information Technology	63	61	2
Plantation Services	311	304	2
Other	72,136	47,197	53
Total	72,510	47,562	52
Net Debt/(Cash)*			
Information Technology	(2,389)	(1,245)	92
Plantation Services	(85)	(0)	28,787
Other	(40,095)	(22,324)	80
Total	(42,569)	(23,569)	81

**Net debt is arrived by subtracting the Holding Company's total cash and cash equivalents, including its short-term investments from its total debt.*

- Borrowings of the Holding Company increased during the year due to an increase in LKR borrowings in line with the planned funding strategy of the Company. Whilst borrowings noted a 53 per cent increase, on a net debt basis, the Holding Company recorded an 80 per increase amounting to Rs.39.83 billion. This is primarily due to the increase in cash from the private placement of ordinary shares to ADB for a consideration of the LKR equivalent of USD 50 million.
- The increase in debt of the Information Technology and Plantation Services sectors are attributable to an increase in bank overdrafts to manage working capital requirements.

Natural Capital

The Group recognises the strong inter-linkage between natural resources and the plantation industry in Sri Lanka, and thus continues to manage its Natural Capital efficiently and effectively. The continuous collaborations of the Plantation Services sector with international conservation bodies whilst adopting international best practice and standards has engrained sustainability throughout its supply chains. These measures aid the businesses to effectively implement eco-friendly agricultural practices whilst continually aligning with modern agricultural operations.

The Information Technology (IT) sector and the Centre Functions ensures its operations are aligned with the Group's Environmental policies. The IT sector continues to identify potential avenues for energy-efficient solutions, in order to enhance process efficiencies by regularly monitoring activities with the objective of energy conservation. The industry group ensures that e-waste generated is disposed in compliance with Group policies, in a responsible manner to minimise any impacts on the environment.

Energy and emissions management

Relevance: Financial, regulatory and brand reputation implications

Approach

- Implementing and improving energy efficiency.
- Use of renewable energy sources.
- Alignment with international standards and best practice.

Initiatives

- Replacement of existing fluorescent lamps with LED lighting on an ongoing basis at TSF, leading to savings in energy consumption.
- ~5.3 million kWh of renewable energy utilised through the generation of solar power by JKW and utilisation of biomass at TSF.
- Tea dryer inlet temperature was maintained by installing a cyclone type drier and renovating the furnace at Neluwa tea factory, resulting in efficient energy usage and minimising risk of fire related hazards.
- TSF conducted awareness sessions for its employees on the topic of energy conservation at tea factories.

Waste and effluent management

Relevance: Regulatory and brand reputation implications

Approach

- Compliance with all regulatory requirements in relation to responsible waste disposal.

Initiatives

- The main road surrounding the tea broking warehouse was reconstructed using plastic modified asphalt concrete which constituted of 400 kg of plastic waste.
- Disposal of all wastewater from factories and biomass combustion continued to be in line with environmental protection license (EPL) requirements.
- Disposal of e-waste and wastepaper through certified recyclers.

Carbon Footprint (MT)

120 Information Technology

1,952 Plantation Services

130 Other

Indicators

Carbon Footprint (MT)

Other, including Information Technology and Plantation Services

Waste Disposed (kg '000)

Note: Waste generated excludes the Information Technology and Other sectors as it is not considered material.

Carbon footprint scope 1 and 2 per operational intensity factor

	2021/22	2020/21
TSF PLC CO_2 (kg per kg of tea produced)	0.60	0.56
JK PLC & JKW CO_2 (kg per sq.ft. of floor area)	1.0	1.0

Human Capital

As a service-oriented industry, emphasis is placed on effective management of Human Capital, through continuous career development and skill enhancement of employees.

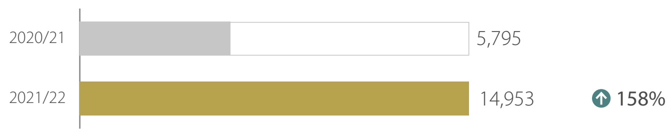
During the year under review, the businesses continued to operate within the COVID-19 safety guidelines, whilst also facilitating 'work from home' options to selected staff categories. Further, workplace safety such as sanitation practices were implemented whilst creating awareness and adhering to health and safety conditions within regulatory guidelines.

The IT sector in collaboration with universities and other educational institutions strives to attract talent and create a pipeline of high calibre employees in the long-term whilst regularly investing in professional training and development of existing employees.

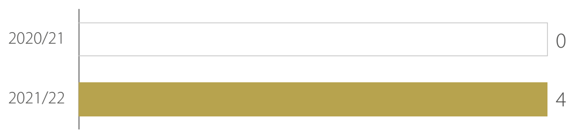
The IT sector continued to provide a safe working environment by ensuring safe commute of employees by facilitating travel arrangements where applicable. TSF factories continued to monitor working conditions to ensure a safe working environment for its employees whilst adhering to relevant health and safety practices.

Indicators

Training (Hours)



Injuries (Number)



Number of Employees

613	454	160
Information Technology	Plantation Services	Other

Health and safety

Relevance: HR related risks directly affect brand reputation and employee well-being and have a direct impact on the long-term sustainability of the business

Approach

- Maintaining health and safety related processes and practices.
- Training and creating awareness.

Initiatives

- TSF conducted 14 fire evacuation drills and demonstrations at factories.
- The ISO 22000:2005 certificate was maintained at TSF factories, achieving zero product quality claims and improving product safety in terms of good hygiene practises.
- Maintenance of the ISO 45001:2018 certification
- Conducting frequent assessments of risks and hazards associated in the manufacturing process, resulting in fewer accidents and lower attrition.
- Conducted COVID-19 awareness sessions for employees on health and safety guidelines.

Talent management

Relevance: Training and development directly affects brand reputation and employee well-being whilst aiding hiring, retaining, motivating, and enhancing skills of employees

Approach

- Attracting and retaining High Potential Individuals (HIPO).
- Developing a resource base of qualified professionals by partnering with universities.

Initiatives

- Continuous training and skill development of employees, providing ~eight hours of training per employee.
- John Keells IT (JKIT) in collaboration with higher education institutes offered internships to graduates.
- Training was provided to JKIT employees on specific expertise in order to further enhance skills.
- JKIT continued its 'Formula 1 - Graduate Placement' programme with the aim of attracting graduates and providing training on specific areas.

Social and Relationship Capital

The industry group prioritises social responsibility and focuses on conducting operations in a beneficial manner for the respective local communities within which it operates.

The community is an integral part of the supply chain in the Plantation Services sector, and it is vital to build trust and mutually beneficial relationships between stakeholders. CSR initiatives were carried out at a business level as well as through John Keells Foundation (JKF) which nurtured such relationships.

The IT sector continued its long-term commitment on promoting ICT-related training and employment opportunities for youth in underprivileged communities, enabling alternative livelihoods via satellite business process outsourcing (BPO) centres. This strategic initiative aids in building a strong and sustained recruitment pipeline of skilled talent whilst also contributing towards sustained economic and social benefits within the community, such as improved employability and sustainable income opportunities for the youth. A total of 45 associates were engaged in providing BPO services out of Mahavilachchiya (North Central Province), Seenigama (Southern Province) and Jaffna (Northern Province) to selected Group businesses through Infomate while continuing to be supported through technical and soft skills training and motivational activities during the reporting year.

Associates of Seenigama BPO at work

Significant Suppliers - Information Technology Sector and Other

- Strategic software partners
- Expert skill/ knowledge partners
- Outsourced operational functions
- Outsourced support staff
- Janitors and security
- Transportation providers

Significant Suppliers - Plantation Services Sector

- Tea smallholder farmers
- Tea plantations

Community and value chain engagement

Relevance: Such engagements mitigate operational and reputational risks, foster sustainable relationships, sharing knowledge and best practice

Approach

- Development of sustainable agricultural practices.
- Building and maintaining relationships with tea smallholder communities.
- Creating sustainable income opportunities for youth.

Initiatives

- Aligning operations to the requirement of the Rainforest Alliance certification by enhancing and promoting sustainable agriculture of 2,794 green leaf suppliers
- Commenced the 9th phase of TSF's tea replanting project aiding 20 green leaf suppliers by supplying 65,000 tea plants over 14.75 acres of land.
- Initiatives carried out by TSF to aid suppliers and local communities affected by floods within the business area:
  - Distribution of drinking water among 329 flood victims residing in Hiniduma and Thawalama villages
  - Cleaning of 29 submerged wells in six villages in collaboration with JKF, directly benefiting 200 persons.
- 79 high-performing school children in Galle and Ratnapura were awarded English and IT scholarships under the 'English for Teens' initiative of JKF's English Language Scholarship Programme.
- TSF conducted an annual blood donation campaign at Halwitigala and Kurupanawa with the participation of 97 donors.
- TSF organised a Dengue Awareness Programme for residents living in Kahawatta, Hingalgoda, Neluwa, Thawalama and Nagoda Waduraba areas.
- Infomate, in collaboration with JKF and the Foundation for Advancing Rural Opportunity (FARO), continued its long-term strategic Rural BPO Initiative aimed at outsourcing identified invoicing functions of the Group to three satellite BPO units in various parts of the country for the 14th consecutive year. A majority of shareholder-associates of the three BPOs comprise of young women.
  - 45 disadvantaged youth from Mahavilachchiya, Seenigama and Jaffna were employed under this initiative and an intensive series of technical and soft skills trainings as well as motivational activities were carried out during the reporting year.

Outlook

The section that ensues entails a discussion of the Group's approach to navigating through the current macroeconomic landscape and the political and social volatility. The section highlights industry-specific implications as well as the outlook beyond.

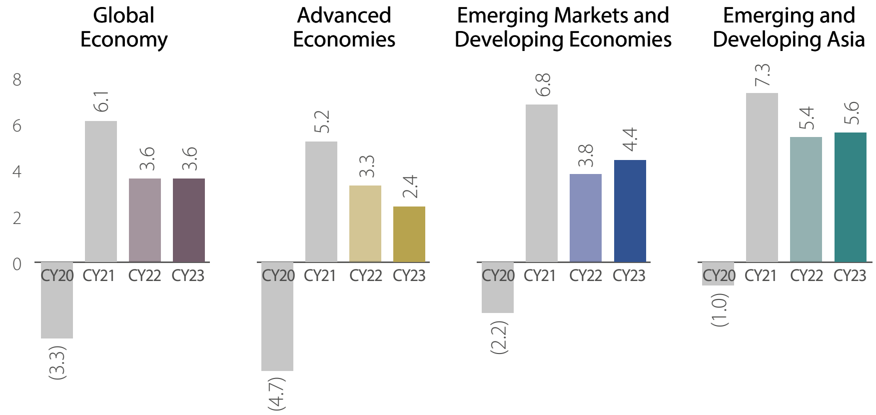
Macroeconomic Outlook

Global Context

The International Monetary Fund (IMF) projects the global economy to grow at 3.6 per cent each in CY2022 and CY2023, and taper thereafter to 3.3 per cent, which is a notable slowdown against the growth of 6.1 per cent recorded in CY2021. The slowdown is projected primarily on the back of the spill-over effects of the Russia-Ukraine crisis on the global economy, tightening monetary policy, volatility in global commodity markets, disruptions to trade flows, substantial supply chain disruptions, aggregate demand-supply imbalances and inflationary pressures. Downside risks to the outlook include the potential aggravation of the Russia-Ukraine crisis, a higher deceleration in China than envisaged and potential resurgences of the pandemic.

IMF Growth Projections

(%)



Source: World Economic Outlook April 2022, International Monetary Fund.

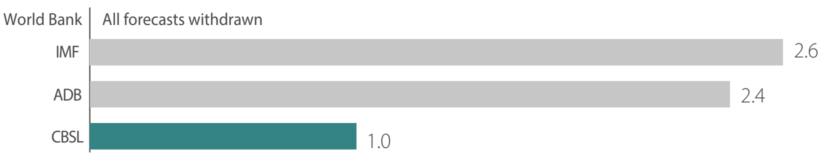
Sri Lankan Context

The Central Bank of Sri Lanka (CBSL) projects the Sri Lankan economy to grow at a moderate pace in the near-term on the back of ongoing macroeconomic instability emanating from both the external financing and fiscal sector challenges, political uncertainty and social unrest. The growth prospects for CY2022 remain lacklustre as the escalation of the domestic energy crisis, rising commodity prices and the cost of living together with the effects of fiscal and monetary policy tightening will disrupt economic activity. Accordingly, the CBSL forecasts economic growth for CY2022 at 1 per cent [CY2021: 3.7 per cent].

In contrast, the Asian Development Bank (ADB) forecasts Sri Lanka's economic growth to slow to 2.4 per cent in CY2022 and improve marginally to 2.5 per cent in CY2023, whilst the IMF forecasts Sri Lanka's economy to grow at 2.6 per cent in CY2022. The World Bank has stated that Sri Lanka's economic outlook is highly uncertain due to the fiscal and external imbalances that the country is currently facing, and hence, has withdrawn all growth forecasts on Sri Lanka.

CY2022 Growth Projections for Sri Lanka

(%)



Despite the short-term slowdown, ongoing efforts of the CBSL to resolve economic issues, including the suspension of external debt servicing by the Government for an interim period pending the adoption of a debt restructuring programme, assurances to adopt much needed structural reforms on the fiscal front, adoption of market driven policies, transparency in communication, and engagement with the IMF for an economic adjustment programme, coupled with continued political and economic diplomacy, among others, are expected to restore macroeconomic stability and facilitate the economy to gather momentum over the medium-term. Such measures are also expected to augur well for tourism, exports and inward workers' remittances. Downside risks to this outlook are primarily on the political and social front, where growth is likely to be conditional on re-establishing political stability, securing the supply of essential commodity items and addressing and managing the social instability. At the time of writing this Report, there is some level of political stability, with the appointment of a new Prime Minister and a Cabinet of Ministers. A potential resurgence of the pandemic may also pose significant challenges to the country's growth trajectory, although this is expected to be largely contained due to the adult population of Sri Lanka being almost entirely fully vaccinated.

Attracting foreign direct investment to strengthen the external sector resilience and monetising underutilised and inefficient non-strategic assets is also much needed to ensure stability on the external sector, and to this end, labour market reforms, tax reforms and ensuring law and order, free of corruption, and transparency is critical.

Looking beyond these short-term challenges, with the appropriate policy response, the economy is envisaged to gather growth momentum in the medium-term. Hence, the underlying prospects for the economy are positive with growth expected to be driven by higher exports, expansion of the services sectors and the potential for higher foreign inflows. The revival of the tourism sector will be a key driver of economic growth considering the 'pent-up' demand that is evident even at this stage for leisure travel.

Although the CBSL adopted monetary policy tightening since August 2021, this was more pronounced with the 700-basis point increase in key policy rates in April 2022, which was adopted with the aim of addressing the inflationary environment which was driven by many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022. The contractionary monetary policy stance of the CBSL should contain demand side inflationary pressures and anchor expectations, once the supply chain disruptions ease, although impacting economic growth and private sector credit growth. However, such measures would aid in containing the demand for imports, stabilising the external value of the domestic currency in the short to medium-term and attracting productive investment.

In CY2019, prior to the outbreak of the COVID-19 pandemic, the Government implemented various tax relief measures such as reductions in the value added tax (VAT) rate, removal of taxes such as the nation building tax (NBT), and withdrawal of advance tax collection mechanisms such as withholding tax (WHT), pay as you earn (PAYE) tax and economic service charge (ESC) in order to boost consumption. However, given the current macroeconomic challenges and the need to increase Government revenue, the CBSL and the Finance Ministry has intimated that a contractionary fiscal policy may be warranted at this juncture in time, which is also envisaged to exert further pressure on consumption and discretionary spending.

Multiple rating downgrades of the sovereign credit rating by all rating agencies citing its worsening external liquidity position, weakening fiscal outlook and the temporary suspension of external debt servicing obligations heightened concerns on the country's economy during the year. As outlined above, the CBSL has implemented some measures to address these concerns, and such positive steps together with the necessary reforms and fiscal consolidation measures are envisaged to restore public debt sustainability and market confidence in the country. In addition to the depreciation of the currency, 2021/22 was also characterised by notable challenges in foreign exchange markets, on the back of a marked reduction in liquidity amidst declining confidence, a pegged exchange rate not reflective of market rates and the depletion of foreign currency reserves in the country. Attracting foreign direct investment (FDI) to strengthen the external sector resilience and monetising underutilised and inefficient non-strategic assets is also much needed to ensure stability on the external sector, and to this end, labour market reforms, tax reforms and ensuring law and order, free of corruption, and transparency is critical, although there will be immediate-term priorities, as discussed, which need to be addressed. The prevailing foreign currency shortage in the market however is likely to place further pressure on supply chains in the country in the immediate-term and, unless the ability to establish trade facilities improve, there could be disruptions to economic activity and business performance.

It is pertinent to note that the CBSL has rolled-out various measures to further ensure external sector stability. This entails short-term measures such as easing of restrictions on mandatory conversion of proceeds of exports of goods and services, measures to encourage workers' remittances; medium-term measures such as initiating comprehensive macroeconomic reforms consistent with an economic adjustment programme supported by the IMF, strengthening regional cooperation, engaging with financiers on improving the gross official reserves position; and long-term measures such as adopting necessary reforms to attract FDI. Against this backdrop and successful implementation of some of these measures, the exchange rate could regain stability once confidence is restored, although short-term pressures can be expected until such time the acute liquidity issues and back log of trade and other payables is cleared.

The ensuing few weeks and the next couple of months are envisioned to be crucial in understanding the direction of the economy. The Finance Ministry has stated that the country is currently in need of over USD 4 billion to manage its economic constraints and to this end, the CBSL has been engaging with international institutions such as the IMF and the World Bank and supportive nations such as India and China for financial assistance. The country has been able to secure transitory bridging financing with significant support from India and adopt other measures to attempt to address the current challenges such as:

- Various relief measures from India such as a USD 1 billion credit line, USD 500 million of financial assistance and the extension of the duration of a USD 400 million currency swap.
- USD 600 million of financial aid from the World Bank.
- Financial assistance from the Asian Development Bank (ADB) for emergency medical supplies.
- Donation of essential medical equipment from countries such as India, China and Indonesia, among others.

For the aforementioned recovery to take place, policy measures and action as conveyed by the CBSL will need to align alongside social and political stability. In this regard, technical discussions with the IMF are in progress and expectations are that a staff level agreement can be reached within a few months. The ability to showcase a roadmap to economic recovery and demonstrate the commitment to reach debt sustainability through reforms and negotiations is an important precursor to the successful conclusion of IMF discussions.

Gradual clarity on the progress with the IMF, debt restructure, bridge financing and politics, is likely to improve the outlook for Sri Lanka going forward.

Looking beyond these short-term challenges, with the appropriate policy response, the economy is envisaged to gather growth momentum in the medium-term. Hence, the underlying prospects for the economy are positive with growth expected to be driven by higher exports, expansion of the services sectors and the potential for higher foreign inflows. The revival of the tourism sector will be a key driver of economic growth considering the 'pent-up' demand that is evident even at this stage for leisure travel. Tourism is an area where Sri Lanka can capitalise on its potential within a short period of time, particularly given the proximity to a significant tourism source market such as India.

Outlook

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 well contained in Sri Lanka in CY2020 and CY2021, where the outbreak of clusters since inception was proactively identified and managed by the Government and health authorities. The country's vaccination drive since late January 2021 has also proved successful, where almost the entirety of the adult population was fully vaccinated with two doses by November 2021. This has also contributed immensely to the containment of the COVID-19 pandemic, with the daily cases and mortality rates noting a significant decline. Whilst new variants have emerged globally, the risk of an outbreak of serious cases is expected to be contained given the high vaccination rates, including the administration of the third vaccination dose as a booster.

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.

Developments on the Social and Political Fronts

Shortages of essential food items, gas and fuel, record inflation and regular power outages, coupled with prolonged calls for transparency and accountability that went unheeded, have increased the prominence of democratic expressions and peaceful protests across the country, with increased calls for the representatives of the people to act with the highest standards of governance and integrity.

The Group has always primarily engaged with the policymakers and the country's leadership through the respective committees of the Chamber and various forums and will continue to do so, ensuring that engagement is managed in the overall interests of the economy and the business environment as opposed to the interests of a single company.

The political and social uncertainly in the country reached a peak on 9 May 2022, when the peaceful protests being held were disrupted causing retaliatory violence and uncertainty for a few days. The Prime Minister resigned on the same day which resulted in the Government being dissolved. At the time of writing this Report, the situation in the country is calm with some level of political stability with the appointment of a new Prime Minister and a commitment from most political parties to support progressive reforms and the necessary policies to deal with the economic situation in the country.

The need for the leadership of the country to take decisive action is more pronounced. While the necessary initial steps for economic recovery are being taken at this juncture, all key political parties should reach consensus on the critical next steps to ensure the actions required to revive the economy are taken in a decisive and expeditious manner following due process. The parties also need to be conscious of the possibility of continued social unrest if the calls for good governance and accountability by the people, are not facilitated in a manner that ensures a sustainable solution.

Group Outlook

The recent developments on the economic, social and political fronts in the country, has undoubtedly created a challenging landscape for the Group to operate within in the short-term. This has been further exacerbated by challenges surrounding global commodity prices, inflation and sourcing which have created pressure on supply chains globally.

Pressure on margins due to increasing raw material costs, particularly given the inflationary environment at present despite the strong monetary policy action in April 2022, is likely to continue in the short-term and the businesses will take all necessary measures, including cost and portfolio optimisation strategies, to mitigate this impact to the extent possible. Any interventions in line with the CBSL's fiscal consolidation efforts may also pose challenges for Group businesses, further exacerbating impacts on performance.

On the external sector, uncertainty and disruptions in the foreign exchange market has also created some uncertainty and volatility, although the strong balance sheet of the Group and cash reserves aided in navigating the past periods. Foreign exchange liquidity in the domestic market was at a record low in CY2021 resulting in a significant depletion of gross official reserves and inadequate foreign exchange to meet the demands for essential imports, such as fuel, gas, medicine, and essential food items. Whilst this position is yet to improve despite some policy responses, the securing of bridging financing will be critical to restore confidence. The lag in recovery of the acute shortage of forex liquidity is envisaged to hamper supply chains of the country, thereby exerting pressure on select Group businesses as well.

Despite these short-term instabilities, growth in consumption and trade in this region, including Sri Lanka, is expected to pick-up in the medium and long-term supported by strong under-penetration in many industries the Group operates in as well as the underlying fundamentals of such industries. Against this backdrop, the Group is confident of the medium to long-term prospects of the industries it operates in; a sustained recovery can be expected once the requisite policy measures and economic action are taken to achieve economic stability.

Given that social and political stability are prerequisites for economic growth, the Group will continue to play its part towards supporting the recovery of the economy and enabling and encouraging the future generations to build a stronger and better governed Sri Lanka. To this end, it is noted that the Group has always primarily engaged with the policymakers and the country's leadership through the respective committees of the Chamber and various forums and will continue to do so, ensuring that engagement is managed in the overall interests of the economy and the business environment as opposed to the interests of a single company.

It is pertinent to note that the degree of impact of the ongoing crisis and uncertainty on businesses will be divergent. The impact on businesses such as Supermarkets, where consumer baskets comprise of household necessities, personal care and other household items, is more insulated in comparison to an industry group such as Consumer Foods. As such, for greater clarity, the envisaged impact of the ongoing crisis on each of the industry groups is discussed in detail in the ensuing section.

Whilst it is premature to ascertain the overall impact of the situation in the country as at the date of this Report and the scale of the impact, in any event, the Group remains confident of the underlying fundamentals of the industries it operates in.

Initiatives Aimed at Managing the Group Cash and Liquidity Position

Given the ongoing challenging landscape, the Group will continue to evaluate its resilience under various stress-tested scenarios. The Group will also continue to follow the various processes, frameworks and measures undertaken in the previous years to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. The need for such scrutiny is more pronounced, given the current challenging landscape and hence, Group businesses will continue to:

- Use weekly dashboards, which cover financial and non-financial key performance indicators (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.
- Re-evaluate the need for capital expenditure plans at this juncture in time and defer such investments as needed to coincide with the recovery trajectory to ensure sustainable returns to all stakeholders.

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 of maintaining a strong balance sheet, particularly considering the volatile macroeconomic environment and continued uncertainty.

Insights – Managing the Group's Foreign Currency Exposure

Managing the Group's exposure to foreign currency fluctuations is of utmost priority given the ongoing challenges in the macroeconomy. A continued steep depreciation of the Rupee may have implications on the Group's financial position, if not optimally managed:

- Gross debt will record a significant increase, particularly given the USD 175 million long-term loan facility from the International Finance Corporation (IFC) at the Holding Company and the USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million at Waterfront Properties (Private) Limited.
- However, the impact will be offset to the extent of the foreign currency denominated cash held at the Holding Company. The foreign currency cash holdings as at the date of this Report, include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.
- It is pertinent to note that the pressures on the Group Income Statement from the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars. 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.
- The Group will continue to manage its foreign currency portfolio and investment pipeline optimally, by matching liabilities against corresponding assets and foreign currency denominated revenue streams, where possible, particularly given the ongoing constraints in the domestic foreign currency markets.

Interventions to Aid Employees in the Current Challenging Landscape

Cognizant of the economic hardships faced by the people of the country and Group employees on account of rising prices and the scarcity of essential items, the Group is in the process of rolling out various initiatives and programmes in the form of non-financial and indirect financial interventions to support Group employees. Given that employees are a vital part of the value creation model for Group businesses, the Group will focus on supporting employees during this time of strife whilst striking a balance with the challenging business circumstances and financial impacts.

To this end, the Group provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022. This care package is intended to assist the John Keells employees in bridging the gap in the costs of basic essential items and epitomises one of the core Values of the Group - Caring. The Group also launched a series of video tutorials on its learning platform to educate employees on improving their financial literacy and managing personal finances. Awareness sessions and webinars on managing finances in the current economic climate, emotional support with counsellors and employee supplier catalogues are some such initiatives which are currently underway.

It is also pertinent to note that the ongoing macroeconomic landscape has also posed challenges in human resources, with the issue of human capital flight and brain drain. The Group continues to make conscious efforts to retain talent through recognition and reward frameworks, as morefully described in the Human Capital section of the Capital Management Review.

Emphasis on the Group's Advanced Analytics and Transformation Journey

OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group has made strong 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 Consumer Foods, 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 within these verticals.

OCTAVE will continue to source requisite talent to ensure in-house expertise and will also focus on ramping up the development of 'use cases' independently which is aimed at developing internal capability towards sustaining an advanced analytics practice in the Group.

Processes and Frameworks Already Institutionalised

The numerous challenges the Group has faced since the Easter Sunday attacks in April 2019, and subsequently the COVID-19 outbreaks in Sri Lanka, have imparted learnings and accumulated experience for the Group in better navigating the ongoing and potential constraints. Such constraints have offered insights to business resilience through investments in technology and 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 agility and resilience through the ongoing environment. Additionally, better clarity on consumer and market behaviour during periods of stress will better equip Group businesses in responding to evolving consumer preferences.

The Group is committed to providing a working environment where all employees, partners, suppliers and other stakeholders are included, their diversity is embraced and where their contributions are valued.

Focus on Diversity, Equity and Inclusion

The Group recognises the importance of diversity, equity and inclusion (DE&I) and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, the Group is committed to providing a working environment where all employees, partners, suppliers and other stakeholders are included, their diversity is embraced and where their contributions are valued. In this regard, the Group will continue to focus on:

- Building a diverse workforce for the future through attraction and retention policies aimed at diverse categories of employees.
- Ensuring Group practices enable equitable and meritocratic opportunities to employees for recruitment, development and progression.
- Integrating diversity into talent management strategy, including targeted strategies aimed at specific groups, setting internal goals and targets, and practices to improve flexibility in working arrangements and work-life balance.
- Providing a safe working environment where employees are treated with fairness and respect free from discriminatory, exclusionary and/or harassing behaviours.
- Empowering employees to be themselves by creating a working environment where employees feel that their gender, background, sexual orientation, lifestyle and disability, among others, do not affect perceptions of them as professionals or as individuals.
- Building empathy and respect for employees of all backgrounds and providing training and awareness building to tackle sources of conscious or unconscious bias.
- Supporting and developing of a diverse set of business and supply chain partners.

As noted in the JKH Annual Report 2020/21, the Group has set itself a goal to increase female participation in the workforce to 40 per cent by 2025/26. As at 31 March 2022, this stood at 33 per cent.

The Group will make every effort to attract suitably qualified talent to the Group's workforce in furtherance of this goal. However, it is pertinent to note that whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve Group performance, providing diverse connections with the external environment, the Group is also conscious of the need to maintain a strong culture of meritocracy, ensuring that diversity does not come at the expense of performance.

Added Focus on Environmental, Social and Governance (ESG) Aspects

The Group 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.

The Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting. The Group will also continue to leverage on expertise from its partners such as ADB and IFC to further enhance the Group's existing ESG processes and frameworks to reach best in class benchmarks.

Insights

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

Despite the unprecedented events over the last three years, which significantly impacted the performance of our portfolio, these investments have continued steadfastly; 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 long-term benefits are now translating to significant performance impacts in the relevant businesses, particularly due to offsetting impacts on account of disruptions across three consecutive years (from the Easter Sunday terror attacks in April 2019 to the COVID-19 pandemic thereafter).

As evident from the recurring performance analysis, the Group has witnessed a strong recovery momentum during the year under review with the recurring performance of most of our businesses reaching pre-COVID-19 levels. Notwithstanding the challenges of the current environment which may impact the performance of the Group in the short-term, 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.

	2021/22	2020/21	2019/20	2018/19*	YoY Change (%)		
Rs.million					**FY22**	**FY21**	**FY20**
Recurring EBITDA							
Transportation	6,141	3,610	4,375	4,598	70	(17)	(5)
Consumer Foods	3,485	3,318	3,366	2,864	5	(1)	18
Retail	7,549	5,523	5,108	2,988	37	8	71
Leisure	3,785	(3,588)	2,306	5,431	205	(256)	(58)
Property	7,867	(17)	641	378	45,451	(103)	70
Financial Services	5,024	3,645	2,988	3,359	38	22	(11)
Other, incl. Information Technology & Plantation Services	5,408	3,082	1,286	4,106	75	140	(69)
	39,259	15,572	20,069	23,724	152	(22)	(15)
Recurring PBT							
Transportation	5,712	3,269	4,044	4,281	75	(19)	(6)
Consumer Foods	2,319	2,304	2,284	1,885	1	1	21
Retail	3,056	1,608	1,490	351	90	8	324
Leisure	(1,512)	(8,546)	(1,597)	1,945	82	(435)	(182)
Property	7,650	(109)	535	245	7,102	(120)	118
Financial Services	4,995	3,360	2,755	2,966	49	22	(7)
Other, incl. Information Technology & Plantation Services	2,213	1,612	787	3,632	37	105	(78)
	24,432	3,498	10,299	15,305	599	(66)	(33)

**Adjusted for SLFRS 16 - Leases, for comparison purposes.*

Refer page 42 for recurring adjustments

Industry Group Strategy and Outlook

Transportation

The performance of the Transportation industry group is expected to be insulated from the ongoing macroeconomic circumstances in Sri Lanka given that a majority of its businesses have revenue models primarily driven by offshore markets and customers. Given the prioritisation of the Ports industry by the Government as an essential service, it is less likely that there will be significant disruptions of operations at the Port of Colombo (POC), although there may be short-term pressures on account of the fuel shortage and the economic, social and political volatility in the country. The Transportation industry group is envisaged to be a key driver of the Group's performance in the immediate-term, particularly given its direct and indirect exposures to foreign currency denominated income streams. 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. While short-term uncertainty exists for the POC, it should be noted that operations of the Port continued unhindered, with capacity recording a growth, even during the 30-year conflict in the country which ended in CY2009.

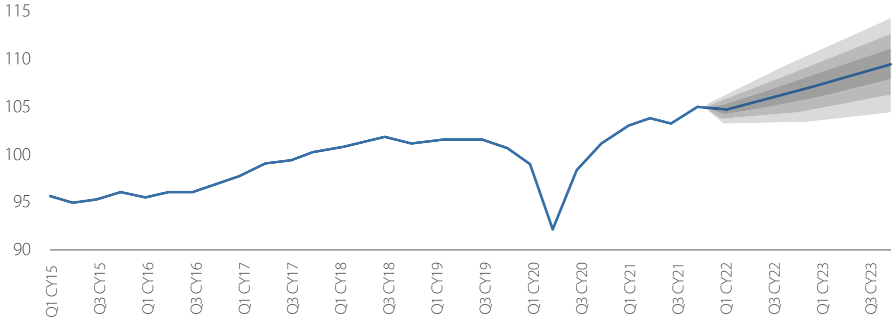
Immediate to Short-Term

The World Trade Organisation (WTO) expects merchandise trade volume to grow at 3.0 per cent in CY2022, and 3.4 per cent in CY2023, post adjusting for the impacts of the Russia-Ukraine conflict. Although the outlook at the onset of the calendar year was more positive, where the envisaged growth at the time was 4.7 per cent for CY2022, this has moderated since then to 3.0 per cent on the back of increased uncertainty worldwide – from escalating tensions between Russia and Ukraine, supply chain disruptions, increased inflationary pressures and lockdowns in China which has disrupted seaborne trade. However, it is encouraging to note that the Asian region is expected to be a key contributor to world trade performance.

Outlook

Volume of world merchandise trade is envisaged to continue its recovery, albeit the slowdown in the first quarter of CY2022

Seasonally-adjusted volume index, 2015=100

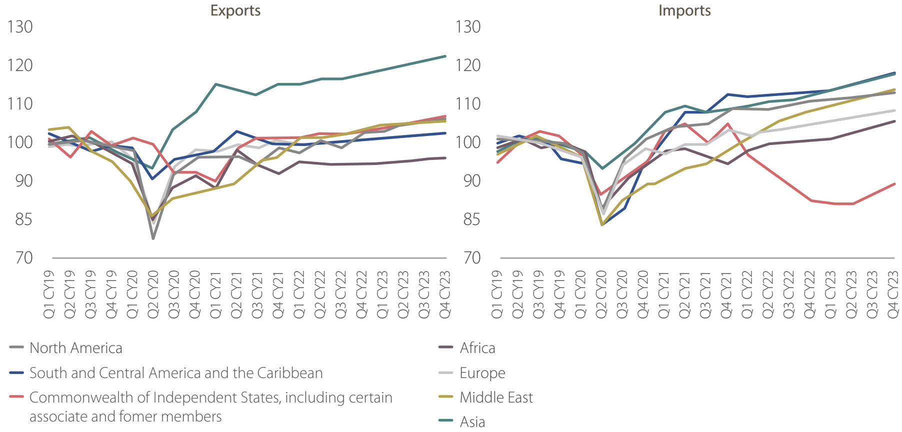


Note: Each shaded region represents a +-0.5 standard error band around the central forecast.

Source: WTO and United Nations Conference on Trade and Development (UNCTAD), WTO secretariat estimates.

Trade in Asia is envisaged to play a major role in driving global trade

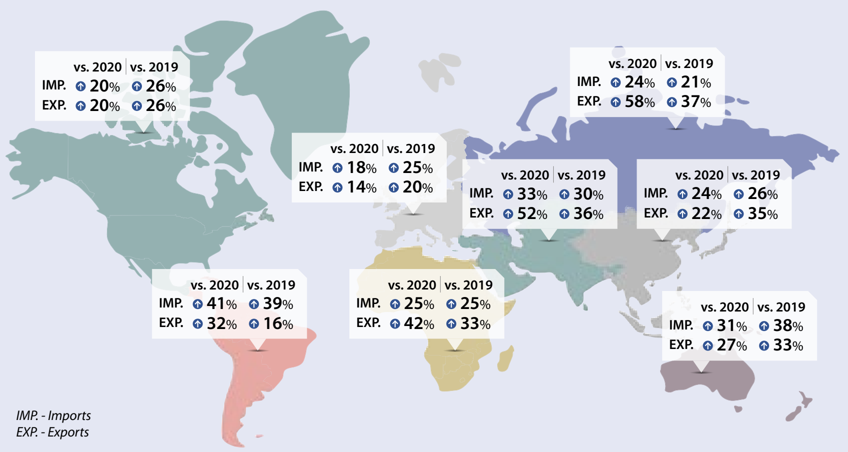
Merchandise exports and imports by region, CY2019 – CY2023 Q4
Volume Index, 2019=100



Source: WTO and UNCTAD.

Trade growth is envisaged to continue its growth momentum as evident in the fourth quarter of CY2021

Q4 CY2021 relative to Q4 CY2020 and CY2019



Source: UNCTAD Global Trade Update February 2022.

The Ports and Shipping business is envisaged to remain resilient and continue its recovery momentum in line with regional trends, although domestic import volumes may continue to witness lower volumes in lieu of macroeconomic challenges, and social and political volatility. The continued growth in trade volumes coupled with increase in vessel movement in the immediate-term is likely to result in an improvement in the Bunkering business. Regardless, given the ongoing ground situation, the business will continue to proactively manage its costs, productivity and inventory in order to ensure minimal disruption, whilst also engaging with its customers and other stakeholders to ensure their concerns are managed. The revenue and profit streams of the Ports and Shipping business is largely in foreign currency which benefits the Group since the Rupee equivalent of such streams is now at the depreciated rate of the Rupee.

The impact on the Logistics business is more pronounced than the Ports and Shipping and the Bunkering businesses. The key challenge for the Logistics business would be in ensuring a seamless supply chain, especially given challenges in sourcing fuel for its distribution operations. Similar to the other businesses within the industry group, the Logistics business has managed the impact on operations thus far with no significant disruption. While prolonged fuel shortages and power cuts will hamper operations and logistics, impeding supply chain operations, the possibility that the Government secures some bridging financing should ensure the continuous supply of essential commodities. In the event such measures are not successful, the Group will proactively manage these disruptions as it did in March and April 2022. It is particularly encouraging to note that the CBSL has introduced a system permitting foreign currency earning exporters to utilise export proceeds to purchase fuel needed to continue with their operations; such schemes will aid the Group businesses in managing constraints in fuel and power given its foreign currency denominated income streams.

The businesses are envisaged to face pressures in importing material, especially given challenges in opening letters of credit given the foreign currency shortage in the country. However, this impact is expected to gradually diminish once the current liquidity challenges faced by the country are resolved, as articulated previously.

As per the Budget 2022, the proposal to introduce a 2.5 per cent social security levy on annual turnover exceeding Rs.120 million, which is still to be enacted, coupled with other fiscal consolidation efforts that are warranted to reduce the Government's fiscal deficit, are expected to negatively impact profitability.

The political volatility coupled with demonstrations and social agitations on account of the economic hardships, has impacted the recovery momentum in tourist arrivals as morefully outlined in the Leisure section of this write-up. The impact on the Airline businesses is envisaged to mirror the challenges and impacts of the Leisure businesses.

Medium to Long-Term

Ports and Shipping

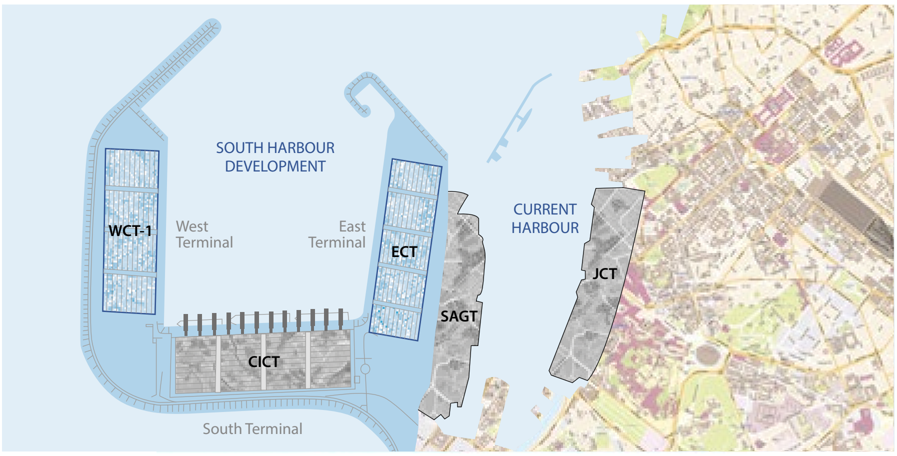
The recovery of domestic import volumes in line with the envisaged recovery of the domestic economy post the fiscal consolidation process augmented with growth in regional and global trade in the medium-term is expected to bode well for the sector. The opportunity to further establish Colombo as a regional 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, especially since the order book of many of the leading shipping lines focus on larger container ships, which are, in turn, more likely to call at transshipment hubs.

The ongoing investments towards increasing the capacity in the POC through the development of the East Container Terminal (ECT) and West Container Terminal (WCT-1), will bode well for the country, ensuring the competitiveness of the POC in the region – especially in light of increasing capacity enhancements in the Indian ports.

- East Container Terminal – ECT is partially operational on a transitory basis at present. Construction work at the ECT which recommenced in January 2022 is envisaged to be conducted in three phases and is scheduled to be completed by CY2024. The ECT extends across 75 hectares and will consist of a total quay length of 1,320 meters, of which 440 meters was constructed in CY2015. Once completed, the Sri Lanka Ports Authority (SLPA) will operate a fully-fledged terminal equipped with 14 shore-to-shore (STS) cranes and 40 automated rail mounted gantry (RMG) cranes.
- West Container Terminal - The build, operate and transfer (BOT) agreement for the development of WCT-1 was signed on 30 September 2021 for a lease period of 35 years between SLPA and Colombo West International Container Terminal (Private) Limited (CWIT). The development and operation of the WCT-1 was identified as a Strategic Development Project (SDP) with the requisite gazettes being issued on 30 July 2021 and 15 November 2021.

  The WCT-1, a part of the proposed Colombo Port South Harbour Development Project, is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and has an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 600 meters, is slated to be operational within a period of ~24 months. The remainder of the terminal is expected to be completed within a further period of ~24 months. The total project cost is envisaged to be ~USD 650 million with a debt to equity mix of ~70:30. The JKH equity commitment is estimated at USD 70 million of which ~USD 10 million has already been infused into CWIT, with the remainder to be infused on a staggered basis over the project construction period.
- The long-term aspirations of the SLPA, which includes the development of a new Colombo North Port, is encouraging and expected to spearhead Colombo being established as a leading transshipment hub in the region in terms of scale, providing scope for sustainable growth for the sector.

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 for 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 recent expansion in the capacity in Colombo via the construction of a 3,200 MT storage tank by Jaya Container Terminal (JCT) in 2021/22, the industry witnessed an increase in the total storage available for bunker fuel, enabling industry players to import larger parcels of bunker fuel and availing the opportunity 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 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 detail in the Leisure section of this write-up, coupled with convenience of faster connectivity between cities and Sri Lanka's growing popularity as a tourist hotspot, are expected to contribute towards improved performance of the Airline segment in the medium to-long-term.

Consumer Foods

The performance of the Beverages, Frozen Confectionery and Convenience Foods businesses are expected to face challenges during the following year in lieu of the challenging macroeconomic landscape as outlined in the ensuing section. However, looking beyond the short-term impacts, the Group remains confident of the underlying fundamentals of the industries the businesses operate in, and envisages strong growth momentum in the medium and long-term.

Immediate to Short-Term

The current macroeconomic circumstances, where sharp increases in inflation and interest rates together with impending fiscal consolidation measures are likely to result in a moderation in consumer discretionary spending, could hamper growth in demand for non-essential items in the short-term. However, the impact on growth in demand may be curtailed due to the relatively low base of volumes in the previous year, given the impacts from the pandemic in last few years, while the continuation of the current favourable weather conditions may also support growth in demand in the short-term, to an extent.

The notable increase in input costs, particularly prices of raw materials, both domestically and globally, on the back of supply chain constraints, inflation and currency impacts, will continue to exert significant pressure on margins in the short-term. Whilst the businesses will offset these impacts, to the extent feasible, through the selective price increases taken in the latter end of 2021/22, margins are envisaged to come under pressure in the next few quarters. The businesses will proactively monitor its margins and take necessary measures, with due consideration on the price elasticity of demand for the products in the portfolio. Whilst input costs have increased across all industries in the country on account of high inflation and disruptions in the market, the impact of exchange rates through the sharp depreciation of the Rupee is expected to be largely one-off if the currency stabilises in the next few months. The prevailing foreign currency shortage in the market, however, is likely to place further pressure on supply chains of the business and, unless the liquidity position and ability to establish trade facilities improve, there could be disruptions to manufacturing and seamless distribution of the product portfolio. Considering these circumstances, the business will optimise the use of its available and expected raw material resources to manage its production and profitability.

On the fiscal front, the imminent tax revenue proposals required to reduce the Government's fiscal deficit are expected to have an impact on consumer discretionary spend and may negatively impact profitability given the already pressured margins on account of input cost increases. In end CY2019, prior to the outbreak of the COVID-19 pandemic, the Government introduced various tax relief measures such as reductions in VAT and removal of NBT in order to boost consumption. However, given the ongoing macroeconomic challenges, the CBSL and the Finance Ministry has intimated that a contractionary fiscal policy, particularly increases in sales taxes, may be warranted at this juncture in time. Such fiscal consolidation efforts may pose challenges for the businesses given its impact on pricing and on consumer discretionary spending.

As witnessed towards the latter end of 2021/22, the current challenges on the foreign exchange market resulted in the businesses undergoing constraints in importing raw materials essential for production, particularly for the Frozen Confectionery business and the Beverages business. Challenges in the foreign exchange market are likely to continue in the immediate-term, exerting pressure on business performance particularly through supply chain disruptions. However, this impact is expected to gradually diminish once the current liquidity challenges faced by the country are resolved, as articulated previously.

The businesses have managed the operation of its factories thus far with minimal disruptions, despite the power and fuel crisis. While prolonged power cuts and fuel shortages may hamper factory operations and logistics, impeding supply chain operations, the current outlook is that the Government is securing the bridging finance to ensure continuous supply of essential commodities. In the event such measures are not as successful, the Group will manage these disruptions as it did in March and April 2022.

Due to the uncertainty associated with macro fundamentals at this point in time, capacity enhancements will be evaluated in line with business growth in the current year and the evolution of the portfolio of products.

In the current backdrop, managing stakeholder concerns remains pivotal and a key challenge to the businesses. The businesses will continue to strengthen its ties with all stakeholders and proactively assist employees in line with Group policies and direction. Emphasis will also be placed on maintaining rigorous engagement with its suppliers and distributors to ensure a seamless supply chain, better management 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. As outlined above, cashflow and cost management initiatives will remain a priority throughout the ensuing year.

In tandem with the trends witnessed in the latter end of the year under review, smaller pack sizes and the Impulse range, particularly given its lower price points, is expected to continue its higher share of the volume mix. The business will continue to focus on re-inventing its portfolio of products as well as packaging to manage costs while offering enhanced value to its consumer base. On the Beverages front, the temporary shift from glass bottles to PET will need to be monitored closely, particularly since glass offers greater value to consumers which could be a focal point considering current market conditions. Although the subdued performance of the hotels, restaurants, catering (HORECA) channel is expected to continue in the short-term, this is expected to gradually recover in tandem with tourism recovery.

Medium to Long-Term

Despite the immediate to short-term impacts on demand and business performance on account of the challenging landscape, domestic demand conditions are envisaged to remain resilient and rebound in the medium-term in tandem with a revival of the economy and improvement in consumer confidence post the fiscal consolidation process.

The penetration of consumer food products in Sri Lanka continues to be relatively 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 garner insights, which is expected to optimise production practices, deliver productivity and cost savings, and identify growth opportunities. Diversity, equity and inclusion will also be a key thrust area for the industry group.

The introduction of concepts such as extended producer responsibility (EPR), with the aim of managing waste and increasing recycling rates, if implemented gradually with proper communication and engagement with the affected industries, will aid the industry in converting its business models into sustainable practices.

The prevailing foreign currency shortage in the market, however, is likely to place further pressure on supply chains of the business and, unless the liquidity position and ability to establish trade facilities improve, there could be disruptions to manufacturing and seamless distribution of the product portfolio. Considering these circumstances, the business will optimise the use of its available and expected raw material resources to manage its production and profitability.

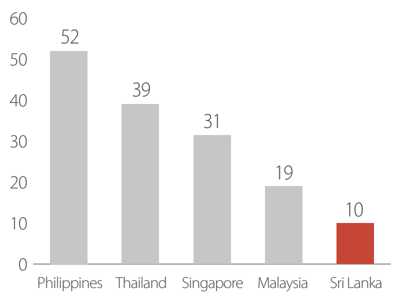
Beverages

The business will continue to focus on developing its portfolio in line with evolving market trends, where consumers place increased emphasis on healthy and sustainable products, which are further augmented with evolving regulations and restrictions surrounding calorific sugar content in beverages. Accordingly, the share of the carbonated soft drinks (CSD) as a proportion of total beverages is envisaged to proportionately diminish in the long-term. However, the prospects for the beverage industry continues to be promising and provide opportunities for growth as these health and ecoconscious 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 and adopt sustainable packaging, whilst extending the portfolios to include non-CSD beverages which are healthier and more nutritious. To this end, the Beverage business has already reformulated its flagship flavours and ~30 - 45 per cent of the CSD portfolio's calorific sugar content is reformulated and replaced with stevia; a natural sweetener with zero calories.

Low consumption patterns and penetration reflects potential for growth in the CSD market

Carbonated soft drinks - per capita consumption (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 beverage market in the country. As a leading player in the beverages market, the Beverages business 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 dynamic

Outlook

lifestyles of consumers. Given evolving regulations surrounding single use plastics and interest towards environmentally friendly packaging, continual emphasis will also be placed on exploring alternate forms of packaging, where feasible.

Given changing market dynamics, the Beverages business in the medium-term will:

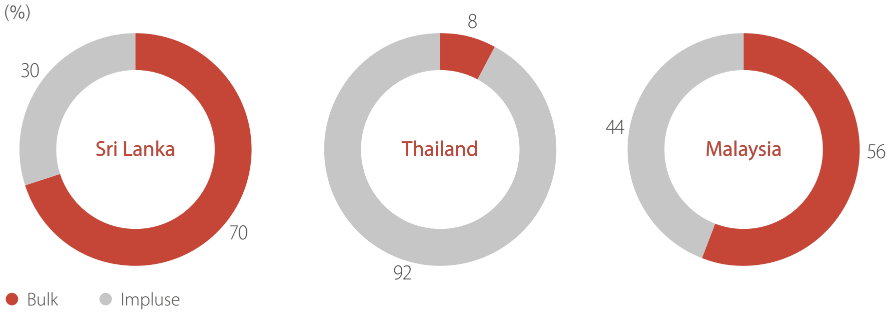
- Focus on consolidating its current CSD portfolio and discontinuing non-performing stock keeping units (SKUs).
- Prioritise the extension of the current non-CSD range, based on market opportunity.
- Manage the composition of the portfolio to ensure optimum margins.
- Consolidate and stabilise distributor 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.
- Implement lean initiatives at factories.

Frozen Confectionery

Rapid urbanisation and increasing disposable income coupled with modern lifestyle trends have fuelled growth in global frozen confectionery markets in the recent years, and the industry has witnessed notable growth, even amidst challenging conditions. Looking beyond the aforementioned short-term impacts, this positive growth trajectory is expected to continue.

Ice cream consumption in Sri Lanka at ~3 litres per capita is well below global averages, demonstrating the significant potential for growth in this market. In line with global and regional peers, the business expects a gradual shift in the bulk to impulse mix towards impulse products, with impulse products 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.

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.



The Frozen Confectionery business envisages a similar trend for its portfolio in the long-term, in line with the aforementioned overall market tilt towards impulse products. As witnessed in the recent years, the state-of-the-art facility in Seethawaka will continue to play a pivotal role in catering to this growth trajectory. Whilst this contribution is limited to the Impulse segment at present, this is also expected to extend to the Bulk segment 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, including the expansion of the 'Wellness' range.
- 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 offering. Similar to the Beverages and Frozen Confectionery businesses, the Convenience Foods business will also place emphasis on staying abreast of market trends and delivering products in line with consumer preferences.

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' and affordable 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 introduction of concepts such as extended producer responsibility (EPR), with the aim of managing waste and increasing recycling rates, if implemented gradually with proper communication and engagement with the affected industries, will aid the industry in converting its business models into sustainable practices.

Retail

The performance of the Supermarket business is envisaged to remain insulated, to a large extent, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket. Whilst the ongoing financial crisis may dampen consumer discretionary spend, the increase in inflation together with the aforementioned reasons where consumer demand for items should continue are expected to support growth in the business. The performance of the Office Automation business is envisaged to undergo challenges in lieu of the current shortage of foreign exchange in the market, as outlined below.

Immediate to Short-Term

Supermarkets

Consumer demand at the Supermarket business is envisaged to remain resilient given the nature of the business, where the performance is expected to be largely insulated as consumer baskets primarily consist of essential goods, personal care and other daily household items. Whilst there may be a tapering of demand for select items given the expected impact on consumer spend and price elasticity of demand, especially for non-essential and luxury items, this is likely to be offset by the change in the composition of consumer baskets with switches to affordable substitutes. Revenue of the Supermarket business will continue to be supported by inflation across the portfolio driven by the substantial price increases being undertaken by suppliers of goods.

The Supermarket business witnessed a conversion from general trade to modern trade in the recent quarters which is expected to continue given the ability for the modern trade outlets to ensure less disruptions to its supply chains through better management of its inventory and working capital, as well as the ability to pass on benefits to consumers due to the scale of operations. Given increased challenges in sourcing products due to supply chain disruptions affecting all manufacturers and importers of goods, inventory gaps of the Supermarket business during the latter end of the year under review has been at a peak. Such gaps are likely to increase, until such time a certain level of economic stability, particularly the lack of foreign exchange liquidity is overcome. Given the notable shortages in essential goods and other fast-moving items, the business proactively ramped up its direct import strategy in 2021/22 with the aim of bridging such gaps and, more importantly, providing its customers with such products at the best possible value. This has also helped drive footfall to outlets. While the Supermarket business has significantly increased its private-label range successfully, this focus was augmented with the intention of managing inventory better and also providing its customers with better choice and 'value for money', both of which are important decision drivers for consumers, particularly at this juncture.

Despite the ongoing power disruptions and shortages of fuel prevailing in the country, the business has managed the operation of its outlets, thus far, through alterations to operating hours and temporarily closures of a select number of outlets. This has caused minimal impact on customers and therefore ensured that revenue continues to show growth. However, if the current crisis is not resolved and the country is impelled to have prolonged power cuts and fuel shortages, this may hamper outlet operations and logistics although demand during operating hours will be stronger.

The current landscape has exerted pressure on all suppliers who are compelled to undertake unprecedented price increases. While such price increases will positively impact revenue, margins and promotional incomes may come under pressure, although, in the past, the business has ensured there is minimal impact on margins. Despite the aforesaid, the impact on performance will be less pronounced than witnessed during the COVID-19 outbreaks given that the impact of closure of outlets in a high fixed cost business has a more significant impact on operational performance.

In CY2019, prior to the outbreak of the COVID-19 pandemic, the Government introduced various tax relief measures such as reductions in VAT and removal of NBT in order to boost consumption. However, given the ongoing macroeconomic challenges, authorities have conveyed that a contractionary fiscal policy, particularly increases in sales taxes, may be warranted at this juncture in time. Such fiscal consolidation efforts may pose challenges for the business, given its impact on pricing and on consumer discretionary spending, although the nature of business will nevertheless ensure robust sales. On the fiscal front, as per the Budget 2022, the proposal to introduce a 2.5 per cent social security levy on annual turnover exceeding Rs.120 million may impact profitability depending on the pricing strategy of suppliers. This proposal is yet to be implemented since the engagement with the IMF will necessitate some tax revenue measures and the way forward is not finalised.

Considering the uncertainty and volatility on construction related costs, in particular, at this point, the business will closely review and monitor the expansion of its network identified for the short-term to ensure returns are as anticipated given the rise in the investment of each outlet. While the investment per outlet has increased significantly, the business has also significantly benefited from higher revenue which will positively impact the feasibility studies of prospective outlets.

The state-of-the-art distribution centre (DC) in Kerawalapitiya, which commenced operations in January 2022, is also envisaged to significantly contribute to process and operational efficiencies, enabling better visibility of the supply chain and reducing stock holding costs.

The well-being of employees, suppliers and customers remain a key priority and the business will continue to roll-out measures to assist them through these challenging times. 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.

The performance of the Supermarket business is envisaged to remain insulated, to a large extent, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket.

Outlook

Office Automation

The performance of the Office Automation business is expected to undergo challenges as a result of the current constraints in the foreign exchange market. Given the retail nature of the Office Automation business, the business is expected to face pressures in importing office automation products and mobile phones, given challenges in opening letters of credit due to the foreign currency shortage in the country, till such time the foreign currency and liquidity position of the country is stabilised.

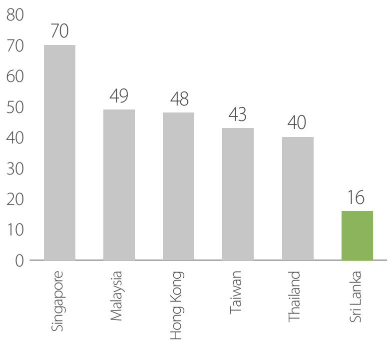
Medium to Long-Term

Supermarkets

The prospects for the modern trade industry in Sri Lanka remains 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' by consumers. The Supermarket business is uniquely positioned to capitalise on this opportunity by leveraging on 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.

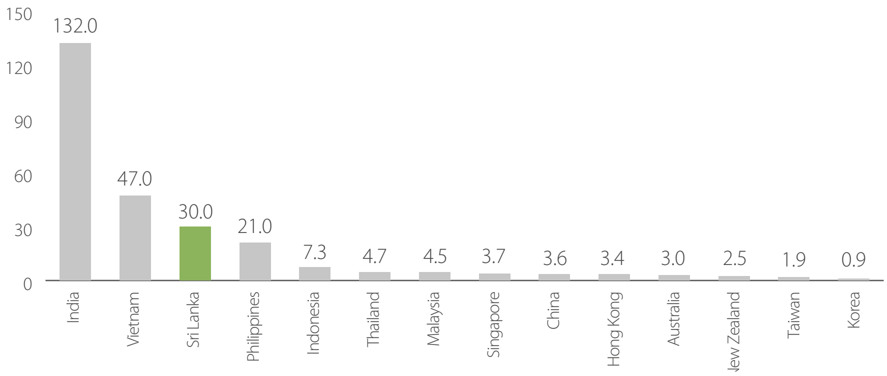
Modern Retail Penetration
(%)



Source: Company analysis.

The Supermarket business will continue to place emphasis on differentiating the shopping experience for its customers through its 'fresh' promise, service excellence and quality within five activity pillars; product, price, place, people and the customer.

Modern Trade Density
Population ('000) per store



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen.

The Supermarket business will continue to place emphasis on differentiating the shopping experience for its customers through its 'fresh' promise, service excellence and quality within five 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; a reversal in online trends was evident with the easing of restrictions with direct 'brick and motor' sales noting a corresponding increase during the times the country was not impacted by the pandemic.

In this light, the business will continue the expansion of its network in the medium-term, 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 also rolled-out a modular store format in pursuing its expansion plans for select areas, to optimise 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 DC in Kerawalapitiya will augment the business's expansion, particularly given its ability to cater to the number of outlets well beyond the medium to long-term. As outlined above, the operation of the new DC is expected to result in significant supply chain efficiencies, particularly given the centralisation of almost the entirety of the dry and fresh range of the current modern trade offering and also providing better visibility of the supply chain.

Given the significant roll-out of outlets 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 outlets. EBITDA margins of new outlets are comparatively lower than mature outlets, given that new outlets typically take 12-16 months to ramp up to normalised operational levels. Whilst the impact of new outlets was more pronounced at the outset, since the outlet count has doubled over a period of three years, as evident during non-pandemic affected periods of operations, the business has seen the normalisation of the impact of new outlet 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' already 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 and driving customer intimacy through a deeper understanding of customer requirements.

Office Automation

Looking beyond the current macroeconomic challenges, the business remains confident of the underlying demand for 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. As evident from the results in the recent year, the business has the potential to grow given the rapid urbanisation witnessed in the recent years. The Government's initiatives aimed at transforming Colombo as a financial hub will also augur well for the business.

John Keells Office Automation (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 at varying price points, 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.

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.

Leisure

Tourism has been a key driver of the Sri Lankan economy in the past, with the industry having the potential to become even more significant given the tourism offering in Sri Lanka and the proximity to large and rapidly growing source markets such as India. With tourism being one of the largest potential sources of foreign exchange income for the country, the strategic nature of tourism is even more pronounced with the Government focus on reviving the industry being at the forefront. Unfortunately, the tourism industry in Sri Lanka has undergone unprecedented challenges over the past three years with the Easter Sunday terror attacks in April 2019 and the subsequent global and local outbreak of the COVID-19 pandemic, exerting pressure on performance.

The leisure industry witnessed a very strong recovery from the end of CY2021 onwards with the re-opening of the country for tourism, recording the highest arrivals for the first time in 20 months. By 31 March 2022, tourist arrivals to the country had recovered to almost 50 per cent of pre-pandemic arrivals. The industry is envisaged to sustain this growth momentum on the back of accommodative travel policies enabled by the high vaccination rates in the country and competitiveness as a destination in terms of the diverse and unique nature of offerings, as well as pricing, particularly, given the recent steep depreciation of the local currency, although there maybe immediate-term transitory pressures as outlined in the ensuing section.

Against this backdrop, the Group remains confident that the prospects for tourism remain extremely positive given the diversity of the offering and the potential for regional tourism, notwithstanding the immediate loss of momentum due to the prevailing ground situation in the country which has deterred tourists to some extent.

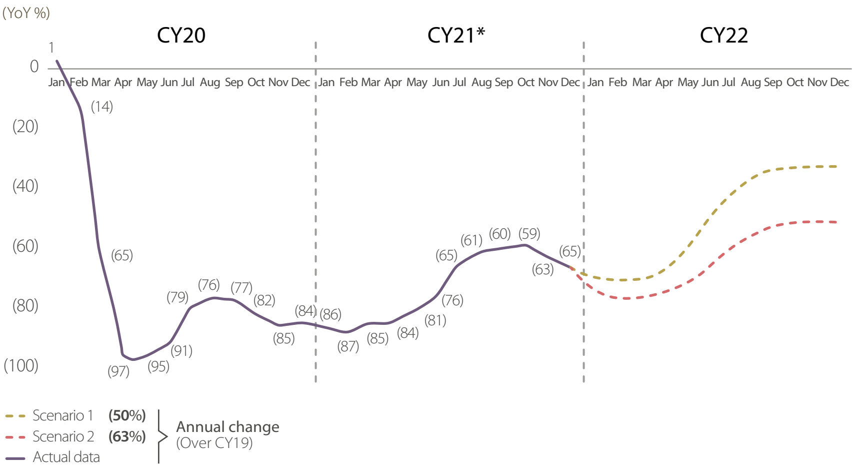
Immediate to Short-Term

The impact of the COVID-19 pandemic on global tourism continues to be easing off gradually, with higher vaccination rates globally and an increasing number of destinations easing travel restrictions as living with the pandemic seems to be the way forward for many countries. These factors have collectively contributed to a surge in global travel due to 'pent-up' demand.

Global Tourism

The United Nations World Tourism Organisation (UNWTO) projects the outlook for tourism based on two scenarios, as morefully detailed in the ensuing section. UNWTO forecasts international tourist arrivals for CY2022 to record a 30 to 78 per cent growth against CY2021, although this would still remain at ~50 to 63 per cent below pre-COVID-19 levels. Similarly, the World Travel and Tourism Council estimates global international spending to record a 94 per cent increase in CY2022.

Monthly international tourist arrivals in CY2020, and UNWTO projections for CY2022



Source: UNWTO World Tourism Barometer January 2022.

Outlook

Opportunities for global tourism outlook CY2022 as per the UNWTO:

- Continuing recovery in many countries and markets, especially in Europe and the Americas has been encouraging.
- Research suggests a large 'pent-up' demand for travel and tourism.
- Ongoing vaccination drives across the globe has been encouraging.
- Pandemic related challenges across two years have imparted experiences and knowledge on the industry on better managing the impacts of the pandemic.
- Use of digital tools to facilitate travel such as the EU Digital COVID Certificates have aided countries in recovering and opening for tourism faster.

Potential headwinds to the UNWTO global tourism outlook for CY2022 include the recent rise in infections and the possibility of new variants, particularly if vaccinations are not uniformly rolled-out across the world, which may hamper the recovery momentum and traveller confidence, especially if there are reintroductions of travel restrictions. Further, the conflict between Russia and Ukraine has resulted in significant turmoil and impact on global oil prices, which has further exacerbated inflationary pressures around the world which could possibly deter the momentum of global travel recovery, although this is likely to be offset due to the 'pent up' demand and the low pandemic affected base of tourism.

As witnessed since the latter end of 2020/21, the performance of the Group's hotels, particularly in the Maldives, is testimony to the recovery momentum, where it is encouraging to witness heartening demand for leisure travel, which is evident through the performance in the third and fourth quarters and the encouraging forward bookings.

Sri Lanka

Sri Lankan tourism witnessed a significant uptick in performance from December 2021 onwards on account of the resumption in tourist arrivals and consumer activity being near 'normal' since the onset of the pandemic in early 2020. Accordingly, Sri Lanka Tourism Development Authority (SLTDA) conservatively projected tourist arrivals for CY2022 to be at ~1.1 million, compared to the pre-pandemic arrivals of 2.3 million in CY2019. This recovery momentum sustained till March 2022, with the Group's Sri Lankan Leisure businesses recording a significant turnaround in performance. However, the peaceful demonstrations and social agitations on account of the economic hardships due to the lack of essential items and steep price escalations, together with the prevailing political uncertainty has impacted the recovery momentum of arrivals to the country for April 2022 which recorded a 48 per cent month-on-month decline. Whilst these social demonstrations have been peaceful, there were a few sporadic incidents which had given rise to this uncertainty. However, since then, the social uncertainty in the country reached a peak on 9 May 2022 when the peaceful protests being held were disrupted causing retaliatory violence for a few days prompting the imposition of curfew. At the time of writing this Report, the situation in the country is calm with some level of political stability with the appointment of a new Prime Minister and all leading political parties confirming support for progressive policies to be adopted towards resolving the economic issues in the country.

Whilst global tourist arrivals are expected to record a recovery, continued uncertainty and volatility on the macroeconomic stability of the country and resultant social unrest, further exacerbated by the ongoing fuel and power crisis, may pose challenges for the country in attracting foreign arrivals in the immediate-term. Hence, ensuring continued political and social stability coupled with clear and transparent communication with the global community would be pivotal in attracting foreign arrivals to the country. Given ongoing discussions to strengthen Sri Lanka's fiscal position, the aforementioned impacts are expected to diminish in the next few months if the necessary outcomes are achieved, as this is expected to stabilise the macroeconomy and address the social unrest. Accordingly, the impact to arrivals is envisaged to be limited for a few months which are typically the low season months and recovery should take place well in time for the peak season which commences from around December onwards.

The properties in the Sri Lankan Resorts segment are expected to be maintain average room rates in USD terms, despite the steep depreciation of the Rupee, given that tourist arrivals are envisaged to improve over the ensuing months while the inventory of resort rooms in the Sri Lanka remains largely unchanged. The strategy for the Colombo Hotels sector will depend on the volume growth achieved considering the availability of a sizeable inventory in the market and a few additional rooms as well, although current rates are already at depressed levels and therefore likely to maintain, or if not improve, from this point onwards.

As a destination, Sri Lanka continues to remain attractive as a tourism hub, given its competitive edge over its regional peers:

- Consistency in COVID-19 related travel policies.
- Minimal quarantine requirements and efficient on-arrival processes.

- Encouraging vaccination drive and containment of infections.

- A range of tourist attractions (wildlife, beaches and historical sites)
- As per UNWTO, nature, rural tourism and road trips have emerged as key trends for CY2022.

- UNWTO projects domestic tourism and travel closer to home as one of the major trends for CY2022.
- Ability to tap into the Indian market, and potentially China.

- The recent steep depreciation of the domestic currency has increased the 'value for money' nature of the total destination.

- Increased connectivity and supporting infrastructure.

In the immediate-term, the current macroeconomic challenges of sharp increases in inflation and interest rates together with impending fiscal consolidation measures are likely to hamper growth in demand for domestic travel and may impact food and beverage (F&B) performance although the higher end of the market could be less impacted. Domestic travel may also be further impacted by the ongoing fuel crisis, until such time bridging finance is secured to ensure a continuous supply of fuel and essential supplies.

Given the significant increase in prices on the back of supply chain constraints, particularly for restaurant operations and events and banqueting, the businesses will continue to adopt stringent expense control and cost optimisation measures. Despite the cost pressures, the EBITDA of the businesses is expected to improve due to the steep depreciation of the Rupee. However, this may be partially offset at a PBT level due to rising finance costs on account of the increase in interest rates. The Group has fixed a portion of its Rupee debt portfolio and therefore will be somewhat insulated from the impacts of rising interest rates. On the fiscal front, as per the Budget 2022, the proposal to introduce a 2.5 per cent social security levy on annual turnover exceeding Rs.120 million, which is still to be enacted, is also envisaged to impact profitability.

The Group's properties in Sri Lanka have managed its operations thus far with minimum disruptions, despite the power and fuel crisis. While prolonged power cuts and fuel shortages may hamper hotel operations, the current outlook is that the Government is expected to secure the bridging finance to ensure a continuous supply of essential commodities. In the event such measures are not as successful, the Group will manage these disruptions as it managed towards the latter end of 2021/22.

On the health and safety measures relating to recovery from the pandemic, the businesses will continue to ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies. Additionally, managing stakeholder concerns and transparent communication on the ground realities are pivotal, which will be a key priority.

With global tourism recovering post the pandemic, a focused destination marketing efforts is imperative in order to convey the destination's offering and promote its value offering and competitiveness. In this regard, it is encouraging to note that the SLTDA has conveyed they are in the final stages in the procurement process for the roll-out of an integrated global promotion campaign, which is envisaged to be launched for the first time since the end of the conflict in CY2009.

In terms of portfolio expansion, 'Cinnamon Red Kandy', jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, is currently under development and is expected to be opened in the second half of 2022/23, notwithstanding any challenges in completion due to the prevailing ground situation. At a total investment cost of ~Rs.6 billion, the Group is envisaged to hold a 40 per cent stake of the equity component. The management of the hotel will fall under the purview of the Hotel Management sector.

Maldives

The Government of Maldives has a target of reaching 1.60 million tourists for CY2022. The World Bank also estimates 1.57 million tourist arrivals for CY2022, driven by organic growth in global tourism post adjusting for impacts from the Russia-Ukraine crisis. Thereafter, it expects 1.9 million tourists for CY2023 on the back of increased capacity due to the completion of the Velana International Airport expansion and a rebound in Chinese arrivals, which was the single largest source market into the Maldives prior to the pandemic. Potential downside risks include a slower recovery in tourism than envisaged, adverse oil prices affecting long-haul travel from source markets, and continued pandemic related challenges.

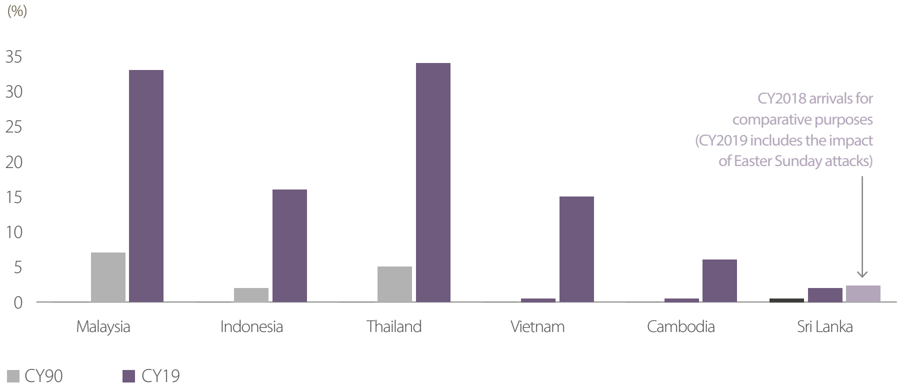
Whilst the Russia-Ukraine crisis may exert pressure on performance, as noted previously, this is envisaged to be offset through organic growth in global tourism, particularly from new source markets, as evident in the performance of the Group's Maldivian properties in the fourth quarter of 2021/22. It is encouraging that the rebound in tourism into the Maldives has been driven by traditional source markets, to an extent, while alternate markets have also contributed significantly. This is despite there being no Chinese arrivals due to travel restrictions for travel out of China, whilst India has also not rebounded as strongly to pre-March 2021 levels, due to a spike in COVID-19 cases in the country. This clearly demonstrates the 'pent-up' demand and showcases the potential arrivals can witness if the Chinese and Indian source markets normalise for outbound travel. As noted in the Leisure Industry Group Review, arrivals to the Maldives and the Group's Maldivian properties have been very encouraging, where occupancy and average room rates (ARRs) have reached pre-pandemic levels. The Group is well positioned to capitalise on this opportunity given that the full complement of all four resorts in the Maldives is available following refurbishment and reconstruction just prior to the pandemic.

Regulations surrounding minimum wages for local employees which was implemented in January 2022 and global supply chain constraints which has impacted all destinations, to which the Maldives is no exception, are expected to create cost pressures for the business.

Medium to Long-Term

Looking beyond the immediate challenges, 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 that Sri Lanka 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.

Tourist arrivals lag well below regional peers



Note: Given the impact of the COVID-19 pandemic in CY2020 and CY2021, the graph compares tourist arrivals in CY1990 against CY2019.

Outlook

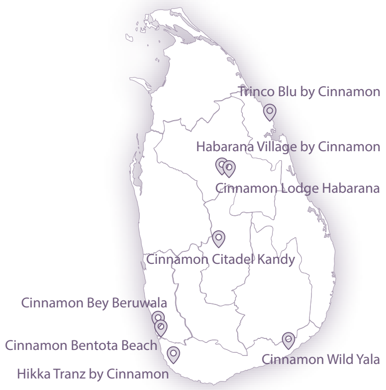
Concerted marketing campaign in a post-COVID-19 environment, improving connectivity into the country at competitive rates, addressing capacity constraints both in terms of airport capacity constraints and tourism infrastructure is expected to be a significant catalyst to attract tourism into Sri Lanka.

The Bandaranaike International Airport (BIA) expansion project is a two-phase project estimated at ~Rs.110 billion. Phase B, providing 23 additional parking spaces (aprons) for aircrafts using the facility was concluded in November 2021. Phase A, which entails the construction of a new passenger terminal building is ongoing and is expected to be opened in CY2024. Post completion, the terminal will have the ability to handle ~15 million passengers annually.

Cinnamon Hotels & Resorts

The businesses will continue to operate within the realigned structure put in place in 2020/21, which is a part of the Group's vision of expanding its footprint, in an asset-light model, to enable the businesses 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.

Round trip offering in key tourist destinations; further potential to expand the 'Cinnamon' footprint



Of the total freehold land acreage owned, a total of 96 acres of freehold land are in key tourist hotspots:

- Ahungalla (Southern Province) : **10.9** acres
- Trincomalee (Eastern Province) : **14.6** acres
- Nilaveli (Eastern Province) : **41.7** acres
- Wirawila (Southern Province) : **25.2** acres

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 developments are 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 meetings, incentives, conferences, and exhibitions (MICE) segment. The Colombo Hotels segment will be uniquely positioned to capitalise on this opportunity, particularly given the addition of the 'Cinnamon Life Colombo' hotel to its portfolio in the first half of CY2023.

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 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 reopening of the property given the closure of the country's borders and restrictions on global tourism in the past couple of years, to capture premium ARRs and further enhance the 'Cinnamon' brand.

Maldivian Resorts

The performance of the Maldivian Resorts segment is expected to continue its 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.

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.

Property

The short-term impacts on the real estate market in the current environment is uncertain as there are many contrary variables which can impact the outlook; whilst there may be a moderation in demand for real estate from homeowners in the short-term due to the tightening macroconditions domestically and lower discretionary incomes, demand may witness an uptick on the back of increased investor interest in real estate as a long-term investment vehicle as a hedge against the inflationary environment. Further, considering the high inflationary environment and significant increase in the costs of construction, the pricing in any new development will also increase interest in the secondary markets, supported by the tapering of housing supply as the commencement of new projects is likely to slow down. The business will continue to proactively assess the landscape to understand evolving trends to navigate through the ongoing crisis. On the construction side, whilst the businesses are envisaged to face supply chain constraints and continued challenges in sourcing labour, the Group will leverage on its liquidity position and balance sheet strength to ensure that construction continues unimpeded, as detailed in the ensuing section.

Looking beyond the short-term impacts, the Group is of the view that the underlying fundamentals of the Property industry group remain promising.

Immediate to Short-Term

Construction activity at both the 'Tri-Zen' and the 'Cinnamon Life Integrated Resort' project sites are currently continuing. Rapid increases in construction costs, driven by supply-side constraints globally, and domestically, coupled with shortages in the supply of key building material on the back of restrictions on imports and challenges in sourcing foreign currency for importing construction material, as witnessed in the recent past, is envisaged to be a key challenge for the business.

The impact is more manageable for the 'Cinnamon Life Integrated Resort' given that the project has met most of its capital expenditure requirements with a majority of the remaining materials on site. The remainder of funding will continue to be met through a mix of equity commitments, through capital already raised in foreign currency, and sales of the remaining residential apartment inventory of the project. The challenges in the foreign currency market are expected to gradually reduce once the current liquidity challenges faced by the country are resolved, as detailed under the General section of this write-up. In addition, the Group will continue to leverage on its internally generated cash and liquidity position to ensure that construction will progress unhindered, to the extent possible.

Challenges in labour mobilisation is envisaged to be more pronounced going forward with the issue of human capital flight and brain drain, on the back of the ongoing challenging macroeconomic environment. The current social unrest has also caused challenges in terms of attracting the skilled and semi-skilled resources required for the finishing works of the project.

The sales momentum for the residential apartments at the 'Cinnamon Life Integrated Resort' has been slow in line with the trends seen in the luxury segments in the city. Despite this, a gradual pickup in sales momentum is envisaged, once the current economic crisis subsides, given a notable slowdown in the condominium pipeline, with almost no new additions in the luxury segment, coupled with encouraging interest at attractive price points in the secondary markets for units already sold. This is further justified through better valuations as the cost of constructing a similar apartment today would be significantly higher given the steep increases in construction related material and inputs.

In contrast, sales at 'Tri-Zen' have been encouraging with the sales momentum reaching a record high by the end of the year under review; this trend is expected to continue albeit the short-term impact on sales from the ongoing macroeconomic circumstances in the country. The Rupee pricing model for apartment units at 'Tri-Zen', which mitigates the risk of fluctuating exchange rates for buyers, is envisaged to be a key differentiator in driving sales although selling prices of the remaining inventory will need to take into account the financial impact of the current challenges.

Whilst the increasing interest rate environment may pose challenging for future sales, the inflationary pressures in the country may rekindle an interest in real estate sales given its widespread acceptance as a hedge against inflation.

The 'Cinnamon Life Integrated Resort' is at the tail-end of its construction as outlined above, with the residential and office components already completed and units sold handed over for occupation. Operations of the hotel, branded 'Cinnamon Life Colombo', and the retail components are scheduled to commence in the first half of CY2023, in a phased manner. Once operational, 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 of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term, especially given the recent full acquisition of Vauxhall Land Developments (Private) Limited, and accordingly, will continue to focus on the monetisation of its extensive land bank. As such, the Group 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 impacted on the back of a slowdown in consumer spending given the tightening monetary policy conditions and fiscal consolidation efforts of the CBSL, although this is not as material in the context of the Group.

Medium to Long-Term

Given evolving business models, the Property business will assess the business landscape to understand possible lasting shifts in real restate demand including the various means by which properties can be built in tandem with such shifts, how properties would be priced, amongst others. Notwithstanding this and looking beyond the current

Outlook

macroeconomic landscape and the fiscal consolidation process, aspects such as increasing demand for commercial and residential spaces, an emerging middleclass demographic, a pipeline of public infrastructure projects, increasing urbanisation and connectivity are envisaged to drive growth in the property and real estate sectors.

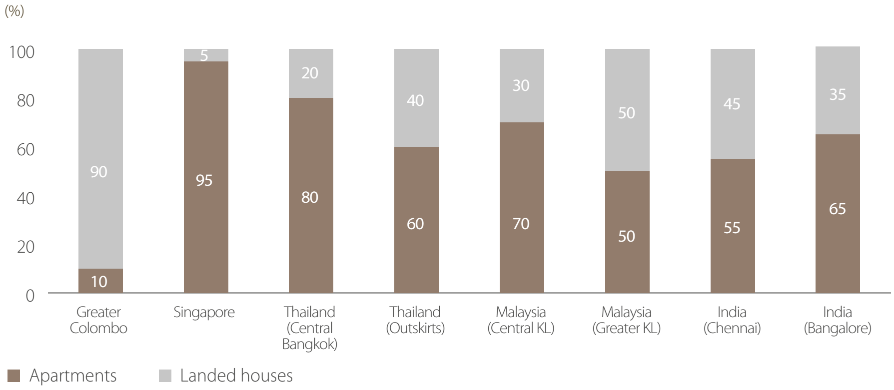
Residential Real Estate

Prospects for the housing market in Colombo and the suburbs continue to be promising on the back of drivers such as the expanding middleclass demographic, increased commercial activity within Colombo and potential for increased GDP per capita. Recent investments and infrastructure spending 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 houses 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 8-10 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, construction landscape 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 given a decline in business confidence and slowdown in investment. 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 when the market is conducive.

The Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term, especially given the recent full acquisition of Vauxhall Land Developments (Private) Limited, and accordingly, will continue to focus on the monetisation of its extensive land bank.

Financial Services

Immediate to Short-Term

The current macroeconomic circumstances, whereby sharp increases in inflation and interest rates coupled with imminent fiscal consolidation measures are envisaged, are likely to result in a reduction in disposable income and moderation in consumer spending. Whilst it is premature to ascertain for how long this situation will prevail, this may disrupt new business and collections in the short-term and impact consumer sentiment and income, inducing policy lapses. However, the business aims to capitalise on digital capabilities built up in the past to minimise the overall impact on business. Greater awareness and interest in protection products and services post the COVID-19 pandemic will also help the business in managing the impact, to an extent. Emphasis will also be placed on expense control and cost optimisation.

Ensuring the concerns of employees and all stakeholders, including the agency force, are managed remain a key priority of the Insurance business.

Nations Trust Bank PLC (NTB) will focus its efforts on building resilience and sustainability through prioritising credit quality, margin management, return focused lending and financial stability. The Bank's Tier I Capital and Total Capital Adequacy ratios as at 31 March 2022 were satisfactorily above regulatory levels at 11.8 per cent and 14.1 per cent, respectively. 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 macroeconomic environment. To this end, the Bank will continue to proactively assess the developments in the environment in order to implement required actions with the aim of continuing to keep its financial stability and strength secure.

Nations Trust Bank PLC (NTB) will focus its efforts on building resilience and sustainability through prioritising credit quality, margin management, return focused lending and financial stability.

The tightening monetary policy stance and the fiscal consolidation process is likely to result in lacklustre credit growth on the back of reduced consumer spending which will impact loan growth. Prolonged stresses may also result in an increase in non-performing loans and impairments, although the Bank will continue to monitor such exposures, particularly the credit quality of the portfolio rigorously and manage such impacts to the extent possible. An impairment provision of Rs.990 million was recognised on its portfolio of Sri Lanka Government securities denominated in foreign currency during the fourth quarter of 2021/22. NTB, however, has a relatively low exposure given that this investment portfolio accounts for only 3.6 per cent of the Bank's assets as at 31 March 2022. Additionally, the Bank will continue with the stringent cost management culture in place, particularly given inflationary pressures on its cost structure.

As noted in the JKH Annual Report 2020/21, the Director of Bank Supervision of the CBSL had 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 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. JKH has requested for an extension of the deadline from the CBSL given the current environment.

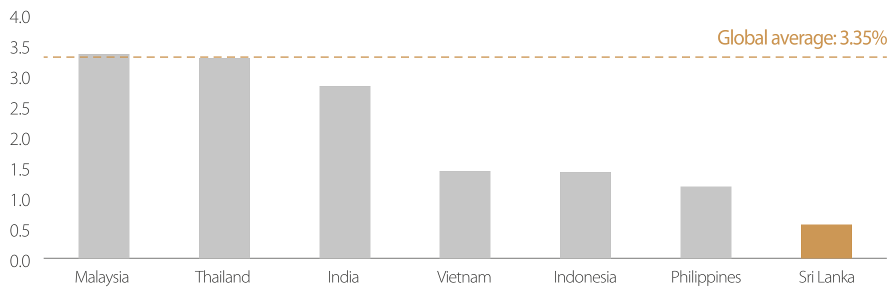
Medium to Long-Term

Insurance

Despite the immediate impacts that may materialise on business performance on account of the challenging landscape, domestic conditions are envisaged to remain resilient and rebound in the medium-term in tandem with a revival of the economy and improvement in confidence and disposable income post the fiscal consolidation process. A relatively low level of insurance penetration in comparison to regional markets, rising income levels and an ageing population is expected to fundamentally 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 PLC (UA) is uniquely positioned to capitalise on the aforementioned opportunity, given its strong brand equity, diversified portfolio of products and digital know-how.

Sri Lanka has a relatively low level of insurance penetration in comparison to regional markets

Life insurance premium as a percentage of GDP (%)



Source: Swiss Re sigma No 4 /2020.

The business will focus on diversifying its channels through an omni-channel distribution model 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. UA will place emphasis on modular products designed to meet the specific requirements and new needs of the customers marketed though efficient and modern distribution channels.

The business will continue to revolutionise the insurance landscape in Sri Lanka through ongoing innovative investments and a clear digital roadmap 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.

Outlook

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

Looking beyond these ongoing challenges and the current crisis, 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 once reasonable clarity towards economic, social and political stability is conveyed, which will contribute to improved activity in the CSE. 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.

Other, including Information Technology and Plantation Services

Information Technology

Immediate to Short-Term

The COVID-19 pandemic and the resultant restrictions on movement and social distancing protocols, had 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. Sri Lanka, and the Group's IT businesses continue to be well positioned to 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.

The primary challenge for the Group's IT businesses stemming from the ongoing macroeconomic crisis is the power shortage where there are daily disruptions, for a period of time, in supply. Whilst the business has managed the impact on business operations thus far, prolonged power outages will impact performance of not only Group businesses, but the competitiveness of the industry, as a whole. Challenges in labour mobilisation is envisaged to be more pronounced going forward with the issue of human capital flight and brain drain, on the back of the ongoing challenging macroeconomic environment.

Medium to Long-Term

The business expects continued adoption of information technology solutions in tandem with the 'new normal' 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 five value stacks of 'Strategy', '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 business process management (BPM) services in Sri Lanka and the increasing demand for outsourced services, particularly non-core functions, is expected to augur well for the BPM 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 prospects for the Plantation Services sector remain positive, given its export-oriented nature, despite the challenging macroeconomic circumstances. Whilst tea production has come under pressure on the back of the Government's sudden shift to organic fertiliser in CY2021 with an import ban imposed on agrochemicals, which significantly affected yields of locally produced food items, including tea, causing shortages in market, this stance has since then been reversed with tea production gradually ramping up. On a positive note, the depreciation of the Rupee in particular will augur well for the country in ensuring Ceylon tea remains competitive regionally and globally, despite the notable domestic cost escalations. This is further augmented by increasing demand for Ceylon tea globally and regionally, especially given its superior quality and taste profile. The increase in global commodity and food prices has resulted in record prices for tea, globally, which has benefited the industry in Sri Lanka.

Potential headwinds to the positive outlook include unfavourable weather patterns that may have an impact on tea prices and volumes, a potential reduction in global oil prices, continued impacts and disruptions from the Russia-Ukraine crisis and a devaluation of currencies in major tea drinking nations.

Increasing costs remain a key concern for the business and the industry as whole in ensuing competitiveness. Given the current challenges, the business will place emphasis on managing its working capital on the back of the tightening domestic macroeconomic conditions which may trigger difficulties in collections. The business will continue to ensure prudent cost management and productivity enhancing measures are in place to navigate through the ongoing crisis and unforeseen circumstances.

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.

The primary challenge for the Group's IT businesses stemming from the ongoing macroeconomic crisis is the power shortage where there are daily disruptions, for a period of time, in supply. Whilst the business has managed the impact on business operations thus far, prolonged power outages will impact performance of not only Group businesses, but the competitiveness of the industry, as a whole.

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.

The unprecedented events over the past three years, commencing from the Easter Sunday attacks in April 2019, the impacts of the COVID-19 pandemic and the ongoing macroeconomic, political and social uncertainty has naturally impacted, the performance of the portfolio. However, the long-term strategic direction of the portfolio and the coming to fruition of all the investments over the last few years will hold the Group in good stead while the ability to navigate through the current headwinds will be demonstrated in the 'strength of fundamentals' of the Group as we emerge from this crisis.

Careful planning and oversight to enable Group businesses to adapt, whilst managing liquidity and financing is of pivotal importance from a portfolio planning point of view, and in this regard the Group will continue to leverage on such fundamentals which are based on principles of governance, accountability and transparency to ensure continued resilience.

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.

The Group is conscious of the prevailing and emerging environment and is satisfied that the balance of the composition of businesses of the core portfolio are appropriate given the diverse nature of revenue streams as well as the direct and indirect exposure to foreign currency denominated income streams through the Leisure, Ports and Shipping, and Bunkering businesses.

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, 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.

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. The current economic challenges have heightened the need for diversification, particularly across geographies and the need for offshore revenue streams considering the foreign currency challenges faced by the country. The Group is conscious of the prevailing and emerging environment and is satisfied that the balance of the composition of businesses of the core portfolio are appropriate given the diverse nature of revenue streams as well as the direct and indirect exposure to foreign currency denominated income streams through the Leisure, Ports and Shipping, Bunkering and Information Technology businesses. The Group's capital allocation through the long-term investment in the West Container Terminal-1 project of the Port of Colombo will see a further bolstering of its foreign currency income streams over the medium-term, in addition to the short-term boost from tourism once the country situation stabilises.

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.

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. 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 pandemic response in the last couple of years 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 focuses on increasing brand equity through a comprehensive understanding of its target market, value proposition, internal alignment to the brand promise and vision.
- 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.
- 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.
- 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.
- Group's diversity, equity and inclusion (DE&I) strategy revolves around advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are respected. The 'One JKH' initiative will enable the Group to attract and retain the best talent in Sri Lanka as well as foster productivity throughout Group value chains and communities.
- Focus is also placed on ensuring that communities develop relevant life skills, and the external environment is sustainable under the corporate social responsibility (CSR) mandate of 'Empowering the Nation for Tomorrow'. The CSR initiatives of the Group are centrally planned and implemented by the John Keells Foundation.

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, joint venture (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 is 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.

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 cantered 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	Growth Filter	Strategic Fit	Complexity Filter
Cornerstone of the decision criteria based on the JKH hurdle rate	Evaluates the industry attractiveness and growth potential based on the industry life cycle	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	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.

Strategy, Resource Allocation and Portfolio Management

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 an increasing trend during the period under review, and, more significantly in April 2022 post the monetary policy tightening by the Central Bank of Sri Lanka (CBSL), 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. While the cost of debt has increased significantly in the immediate horizon, the Group will monitor the evolution of rates and the tax framework in determining if an adjustment to the long-term hurdle rate is warranted. This will be assessed once there is clarity on where long-term rates will settle post implementation of the fiscal and monetary policy reforms which are expected during the ensuing year.

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 the 'Cinnamon Life Integrated Resort' 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 befitted 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 from the recent and ongoing challenges, the conscious and planned strategies of driving growth in these industry groups is expected to continue contributing towards an improvement in the ROCE for the Group, as seen in recent performance, whilst concurrently driving absolute earnings growth.

Insights

The business outlook for 2022/23 cannot be fully ascertained at this point of time given the uncertain and evolving situation on the economic, political and social front, particularly given the criticality of developments on stabilising the political landscape together with the Government's engagement with the International Monetary Fund (IMF) and creditors of foreign currency loans over the ensuing couple of weeks. In this light, the Group will continue to ensure that strategies and mechanisms are in place 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 requirements using the available depth of resources.

During the year under review, the Group raised funds through a private placement of ordinary shares to the Asian Development Bank (ADB) for the LKR equivalent of USD 50 million; the first phase of a two-phase transaction. From a portfolio management perspective, the increase in equity, resulting in a higher capital employed, is expected to have a negative impact on ROCE in the immediate-term, although with improvement envisaged post the deployment/ use of such funds. Whilst there is an impact on ROCE, more importantly, the raising of equity capital in foreign currency from offshore has strengthened the balance sheet of the Group considering the current market disruptions on the back of the scarcity in foreign currency.

Insights – Managing the Group's foreign currency exposure

From a portfolio management point of view, managing the Group's exposure to foreign currency fluctuations is of utmost priority. The steep depreciation of the Rupee witnessed during the latter end of the year had the following implications on the Group's financial position:

- Gross debt recorded a significant increase, given the translation impact on USD 175 million long-term loan facility at the Holding Company and the USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million at Waterfront Properties (Private) Limited.
- However, the Holding Company maintained a strong net cash position. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown of the long-term loan facility from the International Finance Corporation (IFC) and the private placement of ordinary shares to ADB.
- At a Group level, the translation risk is also largely hedged 'naturally' as a result of the conscious strategy of matching liabilities against foreign currency denominated assets and revenue streams, to the extent possible.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars. 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.
- The Group will continue to manage its foreign currency portfolio and investment pipeline optimally, by matching liabilities against corresponding assets, where possible, particularly given the ongoing constraints in the domestic foreign currency markets.

Long-Term Aspirations

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 impacted, and, to an extent distorted, by the effects of the intensive capital expenditure cycle of the Group, the Easter Sunday attacks in 2019/20 and the COVID-19 pandemic thereafter. The Group believes these targets are still relevant in the medium- to long-term and is confident of reaching these targets in such a time horizon.

Indicator (%)	Goal	Achievement		
		2021/22	2020/21	2019/20*
EBIT growth**	>20	166.7	(41.3)	(25.5)
EPS growth (fully diluted)	>20	318.0	(49.3)	(35.9)
Cash EPS growth (fully diluted)	>20	172.0	4.5	(24.7)
Long-term return on capital employed (ROCE)	15	4.2	2.1	4.2
Long-term return on equity (ROE)	18	7.5	2.2	4.5
Net debt (cash) to equity***	50	23.5	20.0	14.0

** 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.*

***EBIT growth excludes the impact of exchange gains/losses.*

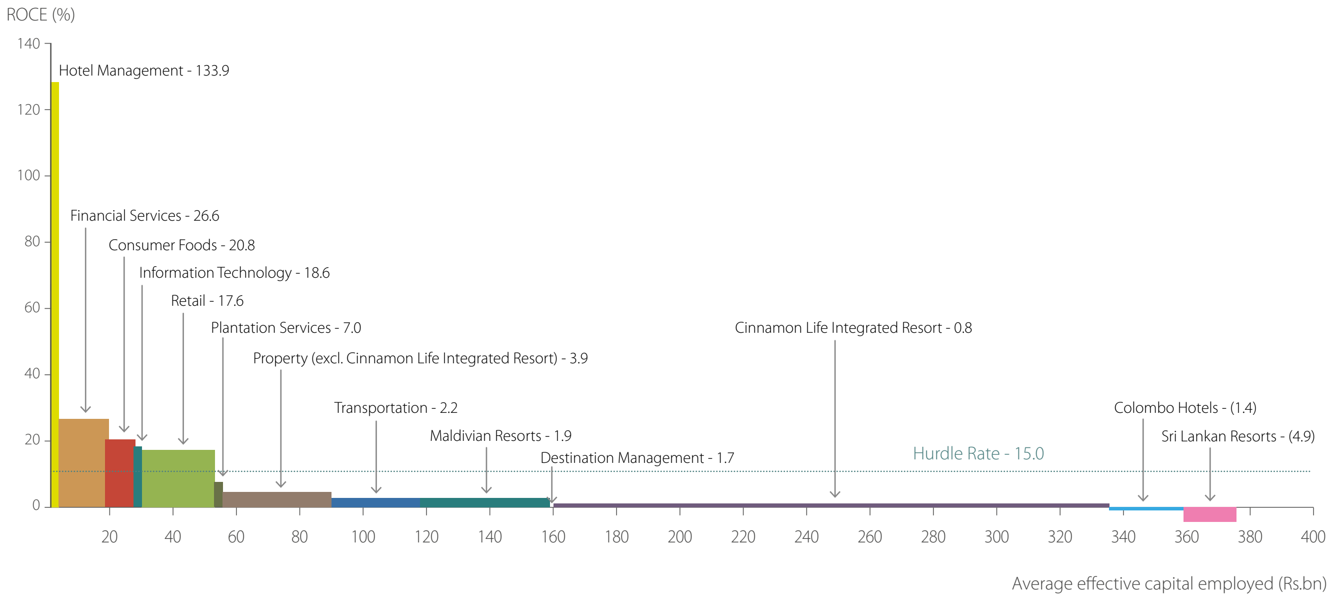
****Excludes lease liabilities.*

Performance of the Portfolio

Capital employed has significantly increased as a result of the 'Cinnamon Life Integrated Resort' project and its gestation period, whilst the long-term financing facility obtained from IFC in 2020/21 and the recent private placement to ADB has also contributed to a notable increase in the capital base, all of which have negative impacts on ROCE. These strategic choices, however, are catalysts for future growth and risk mitigation; while the Group is cognisant of the short-term effects on performance, priority has always been given to striking a balance between short-term performance and the accretive value creation in the long-term.

As seen in the portfolio graph below, a significant portion of capital is deployed in Leisure and the 'Cinnamon Life Integrated Resort'. Whilst these have resulted in a significant 'drag' on the ROCE of the Group, the commencement of operations at 'Cinnamon Life' will contribute towards a positive ROCE along with the recovery in tourists arrivals, particularly since the Group is poised to benefit from having its full complement of hotels available to cater to the 'pent up' demand, once the current situation in the country stabilises.

Capital employed has significantly increased as a result of the 'Cinnamon Life Integrated Resort' project and its gestation period, whilst the long-term financing facility obtained from IFC in 2020/21 and the recent private placement to ADB has also contributed to a notable increase in the capital base, all of which have negative impacts on ROCE.



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 70

Strategy, Resource Allocation and Portfolio Management

Transportation

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	2.2		1.3		1.40		1.16
2020/21	15.1		12.6		1.09		1.10

The reduction in EBIT margins is predominantly attributed to the Group's Ports and Shipping business, South Asia Gateway Terminal (SAGT), which includes a non-cash goodwill impairment against the original investment in lieu of the impending end of the concession period of SAGT based on the 30-year build, operate and transfer (BOT) agreement with the Government. Increased cost pressures in the Logistics business also impacted margins. If the one-off impact of the non-cash goodwill impairment is removed, the adjusted ROCE of the Transportation industry group would be at 18.0 per cent.

Consumer Foods

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	20.8		12.0		1.19		1.46
2020/21	21.5		14.9		1.05		1.38

Revenue of the industry group noted encouraging growth on the back of strong volume growth, positively impacting the asset turnover ratio. However, the positive impact of this on ROCE was offset against increased cost pressures on the back of rising input costs, restrictions on imports, and constraints on foreign currency liquidity which contributed to a decrease in the EBIT margin. The price increases undertaken by the businesses across select products during the year, helped the businesses in managing the overall impact on margins, to an extent.

Retail

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	17.6		5.4		1.88		1.73
2020/21	13.5		4.7		1.83		1.58

The EBIT margin of the Supermarket business noted an improvement driven by a notable increase in same store sales. Margins were also aided by stringent expense management procedures rolled-out.

The Office Automation business also noted an improvement in margins due to the implementation of stringent cost controls despite pressures faced on restrictions on imports, constraints in opening letters of credit and foreign currency liquidity pressures in the market.

Leisure

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	0.0		(0.2)		0.17		1.10
2020/21	(8.2)		(136.5)		0.05		1.10

The continued impact of the COVID-19 pandemic had an adverse impact across all Leisure businesses, particularly in Sri Lanka. However, the business recorded a significant turnaround in performance, particularly during the fourth quarter of 2021/22.

Property

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	3.9		23.3		0.15		1.09
2020/21	0.0		(0.6)		0.05		1.07

**The ROCE of the Property industry group excludes the 'Cinnamon Life Integrated Resort'.*

Improvement in the ROCE is primarily driven by continued revenue recognition on the back of the encouraging sales momentum at the 'Tri-Zen' residential development project coupled with fair value gains on investment property at Vauxhall Land Developments Limited.

Cinnamon Life Integrated Resort

During the year, Rs.13.55 billion of cash equity was infused to 'Cinnamon Life Integrated Resort' to finance the development costs of the project. As at 31 March 2022, the cumulative figures for equity infused and debt stood at Rs.71.40 billion and Rs.101.41 billion, respectively.

The aforementioned equity investment at the 'Cinnamon Life Integrated Resort' includes 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).

Insights

Waterfront Properties (Private) Limited (WPL), the project company of 'Cinnamon Life Integrated Resort' refinanced the USD 395 million syndicated loan in December 2021 through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million, which was structured in order to align with the maturity date of July 2022 of the original USD 395 million facility.

- The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers.
- The facility is a 5-year loan with a 2-year grace period and back-ended capital payments.

Financial Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	26.6		20.7		0.32		4.00
2020/21	17.3		16.1		0.31		3.50

Improvement in ROCE was driven by higher EBIT margins in the Banking business as a result of various cost optimisation strategies and efficiency enhancing initiatives whilst the Insurance business was driven by a growth in gross written premiums, despite the challenging external landscape.

Other, including Information Technology and Plantation Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	5.2		130.9		0.04		1.05
2020/21	4.9		73.6		0.06		1.04

ROCE of the Information Technology sector decreased to 18.6 per cent [2020/21: 20.9 per cent] due to a decline in EBIT margins which was driven by increased cost pressures during the year under review.

The deterioration of the ROCE in the Plantation Services sector to 7.0 per cent [2020/21: 9.8 per cent] was on account of a decrease in profitability and margins.

The ROCE of the Holding Company was impacted by an increase in equity on account of the private placement of ordinary shares to ADB amounting to the LKR equivalent of USD 50 million and in lieu of the translation impact on its foreign currency debt stemming from the steep depreciation in the Rupee towards the latter end of the year under review, as outlined previously.

Insights

The ROCE of the Other, including Information Technology and Plantation Services industry group has been depressed in the recent years primarily on account of the capital raising at the Holding Company. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.

Whilst the cash balance of the Group is currently generating returns below the Group's hurdle rate exerting pressure on Group ROCE, the presence of adequate cash reserves enables the Group to manage its liquidity requirements better, particularly in navigating operations and investments in the current volatile macroeconomic environment.

The Group will continue to focus on ensuring this position is preserved with a focus on further enhancing its funding lines proactively ahead of any future requirements.

Group Return on Capital Employed

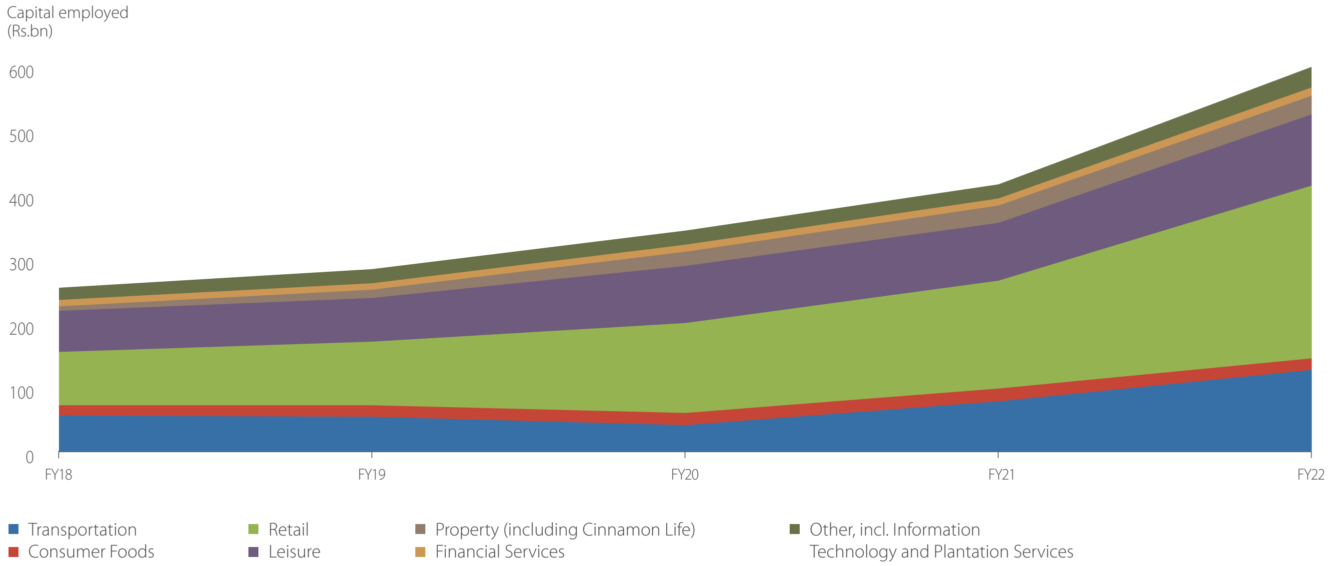
	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	4.2		8.7		0.39		1.24
2020/21	2.1		5.5		0.30		1.28

Group Return on Equity

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2021/22	7.5		3.3		0.99		2.33
2020/21	2.2		0.8		1.21		2.20

Portfolio Movements

Portfolio movements over the past five years are illustrated below.



Strategy, Resource Allocation and Portfolio Management

Significant Movements of the Portfolio and Capital Employed

	2018/19	2019/20	2020/21	2021/22
Investments	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.	Invested Rs.13.55 billion in Waterfront Properties (Private) Limited.
Investments	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 Rs.1.94 billion in JK Land (Private) Limited. Further to this, JK Land acquired the remaining 13.3 per cent equity stake in Vauxhall Land Developments (Private) Limited, from Finlays Colombo Limited for a consideration of Rs.2.99 billion.
Investments	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 preference shares in Saffron Aviation (Private) Limited.	Invested Rs.2.86 billion in Colombo West International Container Terminal (Private) Limited.
Investments	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'.	Invested Rs.74 million in preference shares in Saffron Aviation (Private) Limited.
Investments	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.			Invested Rs.16 million in Inchcape Mackinnon Mackenzie Shipping (Private) Limited.
Investments	Further to the investment made in 2017/18, CCS invested a further Rs.450 million in The Colombo Ice Company (Private) Limited.			
Divestments	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.			Divested 98.88 perches of land in Tickell Road, Colombo 8, for a consideration of Rs.1.14 billion.
Divestments				Divested 2.66 acres of land held under KHL in Nuwara Eliya, for a consideration of Rs.362 million.

Share Information

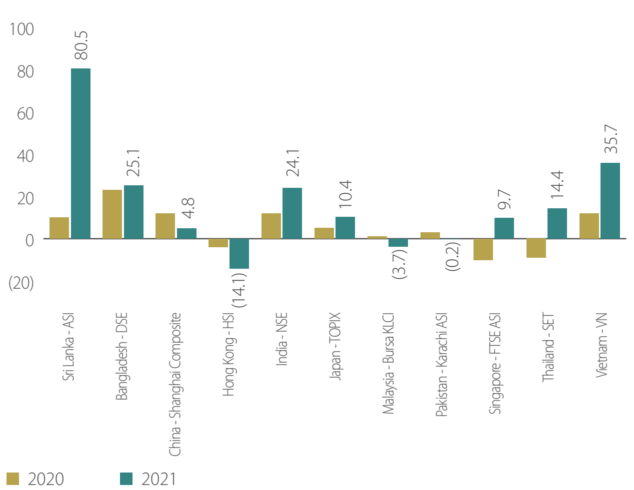
The following is an overview of the market conditions which prevailed during the year under review, both globally and locally. The section concludes with a discussion on JKH share-related information.

Total number of shares in issue as at 31/03/2022	1,384,916,632
Public shareholding as at 31/03/2022	98.74%
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

Global and Local Market Review

Despite the impacts of the COVID-19 pandemic, equity markets recorded an encouraging performance with most markets recording growth in CY2021. With major Central Banks across the world continuing to adopt somewhat expansionary monetary policies, equity remained one of the preferred asset classes for investors. Accordingly, the S&P 500, Nasdaq Composite and Dow Jones Industrial Average Index in the US noted significant gains of 26.9 per cent, 21.4 per cent and 18.7 per cent respectively, in CY2021. The MSCI World Index followed a similar trend, recording a gain of 21.8 per cent with the Japan's Nikkei gaining 4.9 per cent, its highest year-end finish since 1989, China's Shanghai Composite Index gaining 4.8 per cent, and Europe's STOXX 600 Index gaining 22.2 per cent in CY2021.

Regional Market Performance



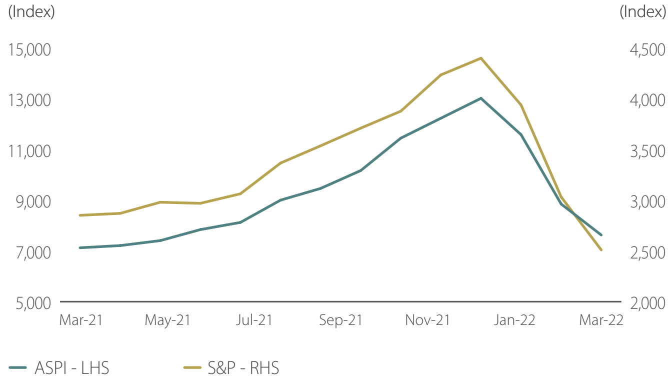
The All Share Price Index (ASPI) and the Standard and Poor's Sri Lanka 20 (S&P SL20) Index of the Colombo Stock Exchange (CSE) outperformed its global and regional peers. As at the end of 2021, the ASPI closed at its highest level at 12,226 points, whilst the S&P SL20 reached 4,223 points. This performance for the calendar year resulted in the ASPI and S&P SL20 recording gains of 80.0 per cent and 60.0 per cent, respectively. A notable increase in domestic investor participation and the low interest rate environment which prevailed during most parts of the year, drove demand towards equities.

However, the macroeconomic volatility and uncertainties from the beginning of CY2022, including multiple rating downgrades, a rise in interest rates, steep depreciation in the currency, social unrest and political uncertainty resulted in the CSE recording steep declines – with increased selling pressure from local investors. This was further exacerbated by the suspension of Sri Lanka's external debt servicing in April 2022. Whilst there will be short-term challenges in the equity market given the current macroeconomic situation, the Group remains confident of Sri Lanka's growth prospects in the medium to long-term.

Refer Outlook section for a detailed discussion of the impacts of the ongoing macroeconomic crisis - page 136

During 2021/22, total net foreign outflows were recorded at Rs.36.65 billion during the year compared to Rs.63.64 billion last year. Market PER decreased to 8.8 times in 2021/22 [2020/21: 15.0 times].

ASPI and S&P20SL Market Performance



Key Regulatory Highlights for the Year

- The Colombo Stock Exchange (CSE) revised the index calculation methodology of the ASPI to a free float adjusted market capitalisation weighted index effective 24 January 2022 onwards (previously the ASPI was a full market capitalisation weighted index).
- The CSE enabled local entities incorporated in Sri Lanka to issue and list foreign currency denominated shares on the CSE subject to predefined conditions, including requirements on foreign currency revenue generation.

Share Information

Indices

	Value 31 March 2022	Value 31 March 2021	%
MSCI			
All Country World Index	711.56	673.29	6
All Country World Index excluding USA	323.59	336.07	(4)
World (23 Developed Markets)	3,053.07	2,811.70	9
USA	4,338.85	3,854.97	13
Europe	1,927.37	1,905.02	1
Europe, Australasia and Far East	2,181.63	2,208.32	(1)
Emerging Markets	1,141.79	1,316.43	(13)
Frontier Markets	608.04	573.31	6
Peer			
SENSEX	58,568.51	49,509.15	18
JKSE	7,071.44	5,985.52	18
STI	3,408.52	3,165.34	8
KLSE	1,587.36	1,573.51	1
Local			
ASPI	8,845.98	7,121.28	24
S&P SL20	3,031.16	2,850.12	6

Key Market Indicators

	31 March 2022	31 March 2021	%
Overall CSE market capitalisation (Rs.billion)	3,826.50	3,111.26	23
Net foreign inflows/(outflows) (Rs.billion)	(36.65)	(63.64)	42
Average daily turnover (Rs.million)	4,754.93	2,934.14	62

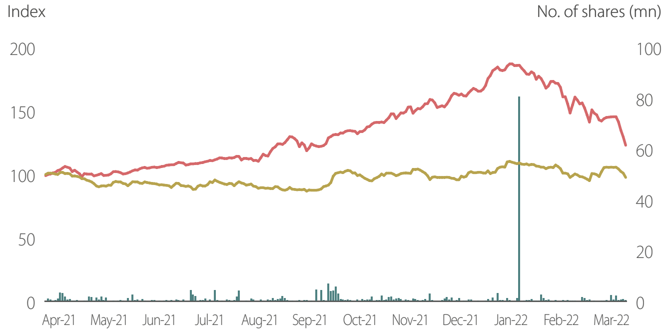
The graph below illustrates that the JKH share is currently at a decade-low, barring the period where the equity market was impacted by the COVID-19 pandemic in mid-CY2020.

JKH Share Price

JKH Share

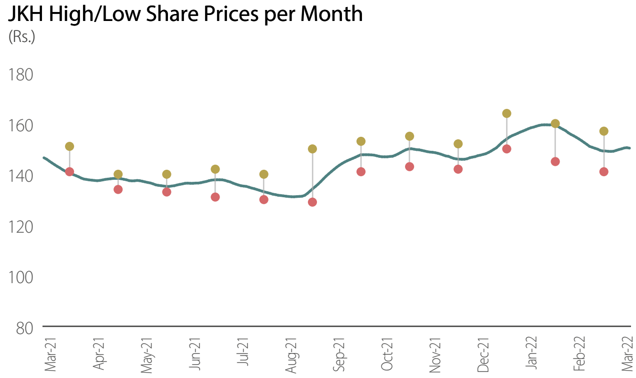
The JKH share decreased by 2.4 per cent to Rs.145.00 as at 31 March 2022 from Rs.148.50 as at 31 March 2021.

JKH Share Performance vs ASPI (Indexed)



As illustrated in the graph above, 80,657,771 shares amounting to 5.8 per cent of the issued share capital of the Company was recorded as traded on 24 January 2022. It is noted that this was a result of a book transfer and does not represent a change in beneficial ownership.

JKH High/Low Share Prices per Month



The beta of the JKH share as of 31 March 2022 stood at 0.74. The beta is calculated on the daily JKH share movements against movements of the ASPI for the five-year period commencing 4 April 2017 to 31 March 2022. The compounded annual growth rate (CAGR) of the JKH share over the 5-year period stood at 0.7 per cent, compared to that of the market which stood at 7.8 per cent for the same period.

Price Earnings Ratio

	2021/22	2020/21
JKH	9.9	41.0
CSE	8.8	15.0
SENSEX	24.8	33.7
KLSE	16.2	20.5
JCI	16.7	26.0
STI	24.8	42.4

Market Information of the Ordinary Shares of the Company

	Q1	Q2	Q3	Q4	2021/22	2020/21
Share Information						
High (Rs.)	151.50	153.00	158.00	167.50	167.50	187.00
Low (Rs.)	133.00	129.00	140.00	140.25	129.00	79.90
Close (Rs.)	132.25	149.75	150.00	145.00	145.00	148.50
Dividends paid per share (Rs.)	0.50	-	0.50	0.50	1.50	1.50
Trading Statistics						
Number of transactions	13,259	18,975	19,559	13,323	65,116	86,930
Number of shares traded ('000)	38,380	72,698	44,922	116,598	272,599	390,995
Value of all shares traded (Rs.million)	5,459	9,901	6,641	18,521	40,522	52,017
Average daily turnover (Rs.million)	96	157	107	319	169	238
Percentage of total market turnover (%)	4	3	2	6	4	8
Market capitalisation (Rs.million)	178,495	197,631	197,966	200,813	200,813	195,970
Percentage of total market capitalisation (%)	5.1	4.7	3.6	5.2	5.2	6.3

Issued Share Capital

The number of shares in issue by the Company increased to 1,384,916,632 as at 31 March 2022 from 1,319,663,951 as at 31 March 2021, primarily due to the private placement of ordinary shares to the Asian Development Bank (ADB), with the remainder stemming from 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.

Private Placement of Ordinary Shares to the Asian Development Bank

In November 2021, the Company resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to ADB in two phases. In January 2022, the first phase of the above transaction was completed where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million, resulting in a post-issue dilution of 4.70 per cent post the first phase.

Additionally, in terms of the second phase, the Company also issued non-tradable/non-transferable options, entitling ADB to subscribe for additional 39,025,204 new ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million. The options exercise price would be based on the volume weighted average price of the Company's ordinary shares as quoted on the CSE during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00 and is exercisable between 19 October 2022 and 18 January 2023.

Based on the above, the maximum number of ordinary shares that would potentially be issued under the entire transaction, assuming all options are subscribed for, will be 104,067,210, thereby capping the post-issue dilution on the conclusion of both phases to a maximum of 7.31 per cent.

Dividend

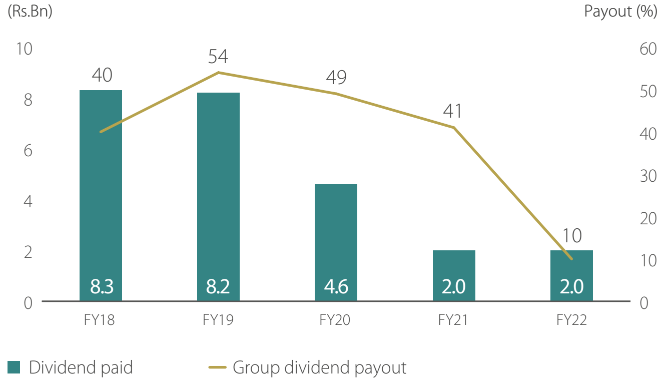
During the year under review, the Company paid two interim dividends of Rs.0.50 per share, each, in November 2021 and February 2022.

Whilst the Group recorded a strong recovery momentum and growth in core operating profits, in addition to significant non-cash exchange gains for 2021/22, given the prevailing volatile and uncertain macroeconomic environment which could result in stress on operating performance, cashflows and the pipeline of strategic investments such as the WCT-1 project, the final dividend for 2021/22 was maintained at Rs.0.50 per share.

Accordingly, the dividend declared for 2021/22 is Rs.1.50 per share [2020/21: Rs.2.00 per share]. The final dividend for 2021/22 will paid on or before 22 June 2022. The Company payout ratio for 2021/22 is ~8 per cent with a total dividend outlay of ~Rs.2.01 billion [2020/21: Rs.1.98 billion]. The payout ratio is distorted due to the significant effect of the non-cash exchange gains. Excluding the impact of the exchange gains, the payout ratio would be 35 per cent. The Group payout ratio was at 10 per cent during the year [2020/21: 42 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.

Distributions to Shareholders and Payout Ratio



Share Information

Earnings Per Share

The fully diluted earnings per share (EPS) for the financial year increased by 318.0 per cent to Rs.15.12 per share [2020/21: Rs.3.62] due to an increase in total profit attributable to equity holders. On a recurring earnings basis, the diluted EPS increased to Rs.15.27 in the current financial year from Rs.3.59 recorded in the previous financial year, thus representing a 324.9 per cent increase.

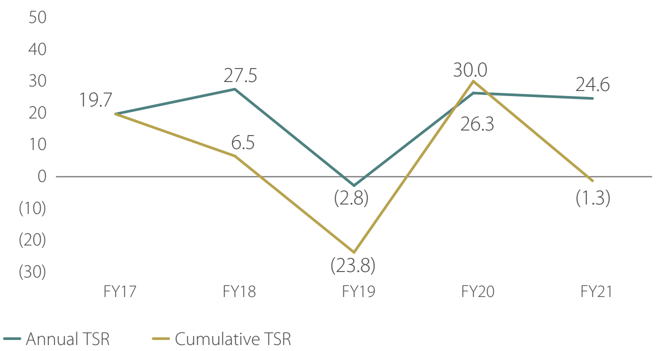
However, it is noted that the benefit of higher earnings on the EPS were partially offset through an increase in the issued share capital of the Company in January 2022, in lieu of the private placement of ordinary shares to ADB, as discussed above.

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 (1.3) per cent for the period under review, while the total return index of the S&P SL20 recorded a return of 11.2 per cent. On a cumulative basis, over a five-year holding period, the share inclusive of dividends, posted an annualised total return of 4.5 per cent.

Total Shareholder Return
(%)



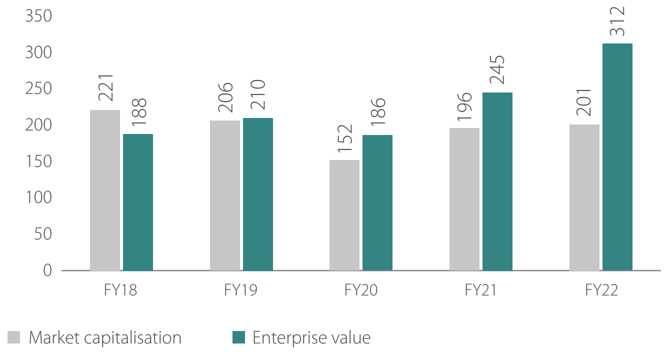
Market Capitalisation and Enterprise Value

The market capitalisation of the Company increased by 2.5 per cent to Rs.200.81 billion as at 31 March 2022 [2020/21: Rs.195.97 billion]. As at the financial year end, JKH represented 5.2 per cent of the total market capitalisation of the CSE [2020/21: 6.3 per cent].

The enterprise value of the Group increased by 27.5 per cent to Rs.311.95 billion as at 31 March 2022 [2020/21: Rs.244.68 billion].

As at 31 March 2022, JKH had a float adjusted market capitalisation of Rs.198.28 billion and 14,450 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.

Market Capitalisation and Enterprise Value
(Rs.bn)



Summary Company Indicators

		2021/22	2020/21	2019/20
Market capitalisation	(Rs.billion)	200.8	196.0	152.2
Enterprise value	(Rs.billion)	312.0	244.7	186.2
EV/EBITDA	(times)	10.7	15.7	9.2
Diluted EPS	(Rs.)	15.1	3.6	7.1
PER	(diluted)	9.6	41.0	16.2
Price to book	(times)	0.6	0.9	0.7
Price/cash earnings	(times)	4.7	13.2	10.7
Dividend yield	(%)	1.0	1.0	3.0
Group dividend payout ratio	(%)	10.0	41.5	49.0
Net assets per share	(Rs.)	224.8	171.4	164.5
TSR	(%)	(1.3)	30.0	(23.8)

Composition of Shareholders

	31 March 2022			31 March 2021		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Non-Resident						
Institutions	75	492,439,810	36	89	485,528,066	36
Individuals	237	6,975,141	1	243	6,952,365	1
Total Non-Resident	312	499,414,951	36	332	492,480,431	37
Resident						
Institutions	731	465,904,849	34	692	408,263,803	31
Individuals*	13,414	419,596,832	30	13,182	418,919,717	32
Total Resident	14,145	885,501,681	64	13,874	827,183,520	63
Total	14,457	1,384,916,632	100	14,206	1,319,663,951	100

**Includes directors, spouses and connected parties*

Distribution of Shareholders

	31 March 2022				31 March 2021			
	Number of shareholders	%	Number of shares held	%	Number of shareholders	%	Number of shares held	%
Less than or equal to 1,000	9,494	66	2,077,696	0	9,178	64	2,086,693	0
1,001 to 10,000	3,376	23	12,204,165	1	3,422	24	12,270,037	1
10,001 to 100,000	1,208	8	38,368,241	3	1,237	9	38,224,468	3
100,001 to 1,000,000	274	2	87,756,601	6	256	2	80,702,749	6
Over 1,000,001	105	1	1,244,509,929	90	113	1	1,186,380,004	90
Total	14,457	100	1,384,916,632	100	14,206	100	1,319,663,951	100

Options Available to Executive Directors under the Employee Share Option Scheme

Year of expiry	Krishan Balendra			Gihan Cooray		
	Granted shares	Immediately vested	To be vested	Granted shares	Immediately vested	To be vested
2022/23	375,000	375,000	-	350,000	350,000	-
2023/24	450,000	337,500	112,500	430,000	322,500	107,500
2024/25	450,000	225,000	225,000	430,000	215,000	215,000
2025/26	450,000	112,500	337,500	430,000	107,500	322,500
2026/27	450,000	-	450,000	430,000	-	430,000
Total	2,175,000	1,050,000	1,125,000	2,070,000	995,000	1,075,000

Share Information

Director's Shareholding

	31 March 2022	31 March 2021
K Balendra*	10,914,400	10,914,400
G Cooray	208,587	207,105
A Omar*	100,000	-
N Fonseka	-	-
A Cabraal	150,137	45,137
P Perera	-	-
H Wijayasuriya	-	-

Includes shareholding of spouse.

Executive Director's Shareholding in Group Companies

	Number of shares as at 31 March 2022	
	K Balendra*	G Cooray
Ceylon Cold Stores PLC	802,320	-
Asian Hotels and Properties PLC	-	10,600
Trans Asia Hotels PLC	-	1,200

Includes shareholding of spouse.

Top Twenty Shareholders of the Company

	31 March 2022		31 March 2021	
	Number of shares	%	Number of shares	%
Paints and General Industries Limited	140,437,428	10.14	114,977,303	8.71
Mr S E Captain	134,220,895	9.69	150,769,641	11.42
Melstacorp PLC	128,917,111	9.31	128,917,111	9.77
HWIC Asia Fund	119,200,760	8.61	39,250,982	2.97
Asian Development Bank	65,042,006	4.70	-	-
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	61,904,939	4.47	141,854,717	10.75
Schroder International Selection Fund	41,974,590	3.03	42,475,806	3.22
Mr R S Captain	34,405,091	2.48	35,544,282	2.69
Norges Bank Account 2	31,901,605	2.30	31,706,807	2.40
Aberdeen Standard Asia Focus PLC	28,123,572	2.03	23,873,572	1.81
Mr Kandiah Balendra	19,511,476	1.41	19,511,476	1.48
Employees Trust Fund Board	18,499,897	1.34	18,709,833	1.42
Fidelity Fund - Pacific	17,880,904	1.29	17,880,904	1.35
Mrs C S De Fonseka	17,472,745	1.26	16,952,586	1.28
Mrs S A J De Fonseka	15,204,230	1.10	15,204,230	1.15
Edgbaston Asian Equity Trust	15,142,109	1.09	14,809,382	1.12
Chemanex PLC	12,605,234	0.91	11,417,835	0.87
Sri Lanka Insurance Corporation Limited - Life Fund	12,270,665	0.89	-	-
Mr K N J Balendra	10,907,628	0.79	10,907,628	0.83
Schroder Asian Growth Fund	10,328,047	0.75	10,328,047	0.78

Employee Share Option Plan as at 31 March 2022

	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	03.07.2017		10,402,204	02.07.2022	173.25	10,402,204	-	1,419,827	200,337	8,782,040	8,782,040	-	173.25
Award 2[3]		GEC[1]	2,865,000			3,215,000		-	-	3,215,000	3,215,000	-	
		Other Executives	7,537,204			7,187,204		1,419,827	200,337	5,567,040	5,567,040	-	
PLAN 9	22.06.2018		10,381,395	21.06.2023	154.10	10,381,395	27,798	1,241,622	197,831	8,914,144	7,323,742	1,590,402	154.10
Award 3[4]		GEC[1]	2,615,000			3,110,000		-	-	3,110,000	2,766,250	343,750	
		Other Executives	7,766,395			7,271,395	27,798	1,241,622	197,831	5,804,144	4,557,492	1,246,652	
PLAN 10	01.07.2019		6,568,000	30.06.2024	136.97	6,568,000	77,000	268,000	122,250	6,100,750	3,551,250	2,549,500	136.97
Award 1[5]		GEC[1]	2,460,000			2,590,000		-	-	2,590,000	1,645,000	945,000	
		Other Executives	4,108,000			3,978,000	77,000	268,000	122,250	3,510,750	1,906,250	1,604,500	
PLAN 10	19.10.2020		6,557,100	30.06.2025	132.86	6,557,100	91,175	60,000	-	6,405,925	2,013,873	4,392,052	132.86
Award 2[6]		GEC[1]	2,230,000			2,430,000		-	-	2,430,000	870,000	1,560,000	
		Other Executives	4,327,100			4,127,100	91,175	60,000		3,975,925	1,143,873	2,832,052	
PLAN 10	16.08.2021		6,585,800	30.06.2026	136.64	6,585,800	-	-	-	6,585,800	258,400	6,327,400	136.64
Award 3[7]		GEC[1]	2,205,000			2,205,000		-	-	2,205,000		2,205,000	
		Other Executives	4,380,800			4,380,800				4,380,800	258,400	4,122,400	
Total			40,494,499			40,494,499	195,973	2,989,449	520,418	36,788,659	21,929,305	14,859,354	

1 *GEC comprises of the Executive Directors and Presidents.*
2 *Adjusted for Bonus Issues/Right Issues/Sub-divisions.*
3 *Plan 9 (Award 2) - 100% of the options had vested as at 31 March 2022.*
4 *Plan 9 (Award 3) - 75% of the options had vested as at 31 March 2022.*
5 *Plan 10 (Award 1) - 50% of the options had vested as at 31 March 2022.*
6 *Plan 10 (Award 2) - 25% of the options had vested as at 31 March 2022.*
7 *Plan 10 (Award 3) - None of the options had vested as at 31 March 2021 with the exception of retirees.*

Share Information

Share Capital

Year ended 31 March	Number of shares in issue (million)
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
2022	1,384.92

GDR History (in terms of ordinary shares, million)

Year ended 31 March	Opening balance	Issued*	Converted/ repurchased	Closing balance
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
2022	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 March	DPS* (Rs.)	Dividends (Rs.000)
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
2022	1.50	2,012,193

**Dividend declared per share.*

History of Scrip Issues, Rights and Repurchases

Year ended 31 March	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)
2022	Private Placement	N/A	65	21-Jan-2022	10.0

** Unadjusted prices.*

2021/22 Financial Calendar

	Date
Three months ended 30 June 2021	28 July 2021
Six months ended 30 September 2021	2 November 2021
Nine months ended 31 December 2021	26 January 2022
Annual Report 2021/22	23 May 2022
43rd Annual General Meeting	24 June 2022
First interim dividend paid on	3 December 2021
Second interim dividend paid on	28 February 2021
Final dividend proposed to be paid on	On or before 22 June 2022

2022/23 Financial Calendar

	Date
Three months ended 30 June 2022	On or before 27 July 2022
Six months ended 30 September 2022	On or before 4 November 2022
Nine months ended 31 December 2022	On or before 25 January 2023
Annual Report 2022/23	On or before 24 May 2023
44th Annual General Meeting	On or before 30 June 2023

ACCOUNTABILITY

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

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.

www.keells.com for detailed Corporate Governance Commentary

The Group's robust and comprehensive corporate governance framework endeavours to create an enabling environment for growth in a structured and sustainable manner to navigate through stable as well as volatile socio-economic environments. 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.

The Group's Governance framework has its own set of internal policies, processes and structures aimed at meeting and in many instances, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect evolving regulations, global best practice, evolving regulations, and dynamic stakeholder needs, whilst maintaining its foundational principles of accountability, participation, integrity and transparency.

Key Governance Highlights

- During the year under review, JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the second consecutive year. JKH was the only entity to obtain a 100 per cent score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 75 public limited companies listed on the CSE; under three different thematic areas crucial to fighting and preventing corruption:
  - Reporting on anti-corruption programmes
  - Transparency in company holdings
  - Disclosure of key financial information in domestic operations.
- The Group launched the diversity, equity and inclusion (DE&I) policy, the overarching policy that underlies the Group's overall commitment to DE&I, in May 2021.

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 (SEC) Act No. 19 of 2021, 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 the 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, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion including gender
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- 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 FX 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 service

Corporate Governance Commentary

Group's diversity, equity and inclusion (DE&I) policy

The Group recognises that organisations that constitute diverse and inclusive workforces are best placed to innovate, retain talent and deliver better overall results, and firmly believes that it can achieve its highest potential through bringing together diverse perspectives and backgrounds. The Group is committed to advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are recognised and respected.

The DE&I policy is based on the key principles of:

- Empowerment and inclusion
- Zero tolerance for discrimination
- Equal opportunity
- Equal participation
- Diverse value chains

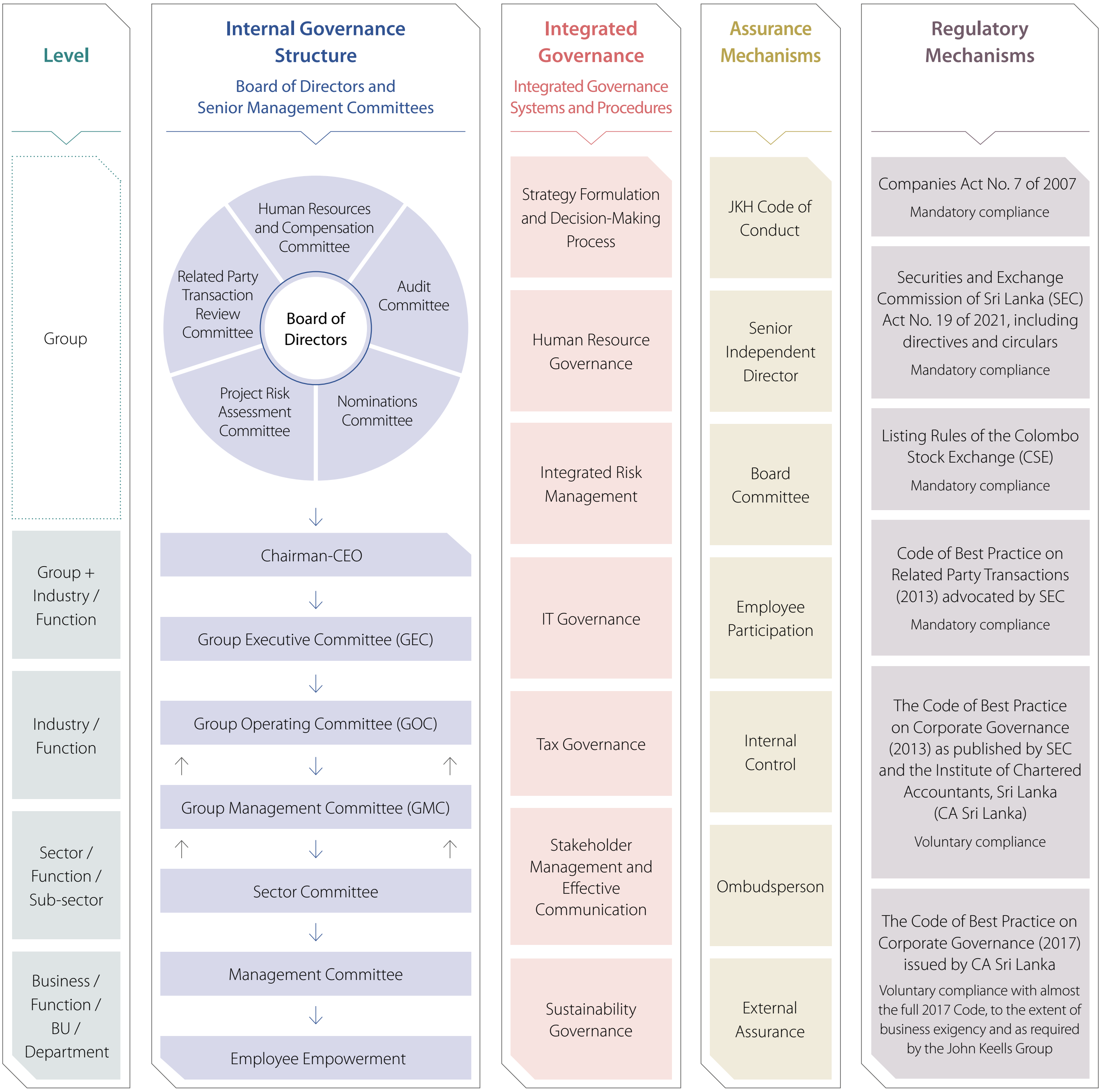
- The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;
  - Various initiatives such as introduction of subsidised crèche facilities, implementation of the first phase of the 'SanNap' programme whereby sanitary napkins were provided free-of-charge to all female employees of the Group.
  - As noted in the 2020/21 Annual Report, the Group has a goal of increasing women participation up to 40 per cent by the end of 2025/26. In this regard, women participation as at the end of the year increased to 33 per cent [2020/21: 30 per cent].
- As announced to the CSE in April 2021, Colombo West International Terminal (Private) Limited (CWIT) was incorporated to develop the West Container Terminal-1 (WCT-1) in the Port of Colombo, where JKH has an equity stake of 34 per cent. Further to this, CWIT executed a Build, Own and Transfer (BOT) Agreement with the Sri Lanka Ports Authority in September 2021, for a lease period of 35 years. WCT-1 fulfilled all conditions precedent in the BOT agreement, and the site was handed over in February 2022 for the commencement of construction.
- In November 2021, the Board of Directors of JKH resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to Asian Development Bank (ADB), in two phases.
  - In January 2022, Phase 1 of the above transaction was completed where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million, resulting in a post-dilution of 4.70 per cent post the first phase.
  - Additionally, as part of Phase 2, the Company also issued 39,025,204 non-tradable/non-transferable options, entitling ADB to subscribe for additional new ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million. Therefore, the maximum number of ordinary shares potentially to be issued under the entire transaction, assuming all options are subscribed for, will be 104,067,210, thereby capping the post-issue dilution on the conclusion of both phases to a maximum of 7.31 per cent.
  - The proceeds from the transaction will be utilised by JKH for the purpose of balance sheet strength and agility to support its investments in an optimal manner
  - The Group will engage with ADB to obtain technical expertise for its ESG strategy, capacity building for climate resilience and farmer assistance initiatives.
- In December 2021, JKH successfully refinanced the USD 395 million syndicated loan at 'Cinnamon Life Integrated Resort', through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million, which was structured in order to align with the maturity date of July 2022 of the original facility.
  - The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers.
  - The facility is a 5-year loan with a 2-year grace period and back-ended capital payments.
- The Group continued with its multi-pronged approach to internal audits and process reviews by augmenting its integrated fraud deterrent and investigation framework to foster synergy and collaboration efficiencies between components that deliver governance and assurance and related services, in facilitating business strategies. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables. This approach focuses on identifying opportunities for continuous improvement through a rigorous review, to determine the degree of alignment and interplay between processes, technologies, and people, in optimally facilitating each business strategy to handle consequent transactional events for better outcomes.
- The Group continued to strengthen its IT governance framework through the adoption of a Zero Trust Policy Framework effective 1 April 2022, including shifting to a hybrid-cloud infrastructure as well as a Software Defined Wide Area Network (SD-WAN) to ensure real-time data accessibility, and implementation of a revamped Smart Office platform across the Group.
- Given the significant macroeconomic challenges and developments prevalent in the country – the Board of Directors and the Group Executive Committee (GEC) frequently deliberated and evaluated the resilience of the Group under multiple stress-tested scenarios.
  - Cognisant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, JKH provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.
  - Further, a set of initiatives and programmes in the form of non-financial and indirect financial support are to be rolled-out. These include awareness sessions and webinars on managing personal finances in the current economic climate, emotional support with counsellors and employee supplier catalogues to name a few.
- The Board declared a final dividend of Rs.0.50 per share in May 2021 for the financial year 2020/21. For the year under review, the Board declared a first and second interim dividend of Rs.0.50 per share, each, in November 2021 and January 2022, respectively.

Governance section of the Corporate Website

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 components shown below is found on the corporate website



- *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.*

Corporate Governance Commentary

Board of Directors

Board Composition

As at 23 May 2022, the Board comprised of 7 Directors, with 5 of them being Non-Executive Independent Directors.

Profiles of the Board of Directors

Krishan Balendra

Chairman-CEO N P ED

Krishan Balendra is the Chairman-CEO of John Keells Holdings PLC. He is the Deputy Vice Chairman 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 Corporate Communications. 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, Sunshine Holdings PLC, Silvermill Investment Holdings and CIC Feeds Group of Companies. He is a former Chairman and Chief Executive Officer of Unilever Sri Lanka and has over 4 decades of wide ranging local and international business experience. He is also a Non-Executive Director of Hatton National Bank PLC and serves as a business advisor to a number of companies. He is a member of the Board 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 of DFCC Bank from 2000 until his retirement in 2013. He is currently the 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 the President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK from 2011 to 2021. 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 an 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. He spearheads a company that develops, manufactures and markets end to end apparel solutions for world renowned brands. With a purpose to deliver Inspired Solutions through Inspired People, he is credited with pivoting Brandix into a globally recognised company with operational presence across nine countries including India, Bangladesh, Haiti and the United Kingdom. On a journey to be the most sustainable apparel manufacturer in the region, Ashroff ensures that real change is embedded across every point of the operation at Brandix, to truly care for the planet and the communities in which the company serves. This feat has been recognised in several ways, including the company's plant in Batticaloa being certified as the world's first Net Zero Carbon Apparel Manufacturing facility in 2019. In Sri Lanka, his direction has led Brandix to be adjudged 'Exporter of the Year' for the 7th consecutive time at the Presidential Export Awards 2020/21. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka Apparel industry and sits on the Boards of some of Sri Lanka's most respected corporates.

Premila Perera

Non-Executive Director A N R P

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 the immediate past 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.

A Audit Committee

H Human Resources and Compensation Committee

N Nominations Committee

R Related Party Transaction Review Committee

P Project Risk Assessment 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 (abstention 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 annual income	NED/ID income/cash benefits are less than 20 per cent of an individual Director's annual 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	One NED has served on the Board for over nine years, and will be retiring from the Board in June 2022, post the JKH AGM.
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 6 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.

The attendance at the Board meetings held during the financial year 2021/22 is given below:

Name	09/Apr/21	24/May/21	28/July/21	02/Nov/21	22/Nov/21	26/Jan/22	Eligibility	Attended
K. Balendra	✓	✓	✓	✓	✓	✓	6	6
G. Cooray	✓	✓	✓	✓	✓	✓	6	6
N. Fonseka	✓	✓	✓	✓	✓	✓	6	6
A. Cabraal	✓	✓	✓	✓	✓	✓	6	6
P. Perera	✓	✓	✓	✓	✓	✓	6	6
H. Wijayasuriya	✓	✓	✓	✓	✓	✓	6	6
A. Omar	✓	✓	✓	✓	✓	✓	6	6

Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, whilst 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 Transaction 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 2022	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transaction Review Committee	Project Risk Assessment Committee
Executive					
K Balendra – Chairman-CEO			◆		◆
G Cooray – Deputy Chairman/Group Finance Director					◆
Senior Independent Non-Executive					
N Fonseka	◆ (Chair)			◆	
Independent Non-Executive					
A Cabraal	◆	◆ (Chair)		◆	
A Omar		◆	◆ (Chair)		
P Perera	◆		◆	◆ (Chair)	◆
H Wijayasuriya		◆	◆		◆ (Chair)

◆ Committee Member

◆ Committee Chair

Audit Committee

No of meetings - 05

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

- Overseeing the preparation and presentation and review of the quarterly and annual financial statements, including the 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' suitability, performance, 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 Audit Committee comprises 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 five times during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the ensuing section. 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 financial statements and the annual statements with the Management. The External Auditors were engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2021. The results of this review were discussed with the External Auditors prior to publication of these statements. 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. Discussions were also held with the External Auditors and Management on matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting

Corporate Governance Commentary

Standards that came into effect for the year under review and satisfied themselves that the 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 the Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the 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 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 was 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. The Committee reviewed the effectiveness of digital forensic tools used by Group BPR.

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 of 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 and the level of residual risk.

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 affected 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 on-going 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 actions. 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 the Company and Group financial statements for the year 2021/22 were discussed with the 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 2023, subject to approval by the Shareholders at the Annual General Meeting.

N Fonseka
Chairman of the Audit Committee

23 May 2022

Human Resources and Compensation Committee

No of meetings - 2

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 invited to 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 practice 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 Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practice and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the Chief Executive Officer (CEO), the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendation thereon to the Board of Directors. The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive level.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, the Group is able to attract, motivate and retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, 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.

As per the mandate outlined, the 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.

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 2022

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.

The variable proportion of Executive Directors' remuneration 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.106 million [2020/21: Rs.104 million] of which Rs.23 million [2020/21: Rs.45 million] was the variable portion linked to the performance benchmark as described above and Rs.83 million [2020/21: Rs.59 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.16 million [2020/21: Rs.11 million].

Corporate Governance Commentary

Nominations Committee

No of meetings - 3

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 clearly expectation in terms of time commitment, involvement outside of the formal Board meetings, and 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 Transaction Review Committee

No of meetings - 4

Composition

- The Chairman shall be an Independent Non-Executive Director.
- Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
- The composition may include Executive Directors at the option of the Listed Entity.

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 2022, consisted of the following members:

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.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other Listed Companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other Listed Companies in the Group.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to approval obtained from the Committee:

Asian Hotels and Properties PLC:
- A Nanayakkara (new appointment)
- J Durairatnam (renewal)
- A S de Zoysa (renewal)

Ceylon Cold Stores PLC:
- M Hamza (renewal)

Tea Smallholder Factories PLC:
- S K L Obeysekere (renewal)
- A S Jayatilleke (renewal)

Trans Asia Hotels PLC:
- H A J de Silva Wijeratne (new appointment)

Union Assurance PLC:
- D H Fernando (renewal)
- S A Appleyard (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of JKH. Further, the Committee discusses with the Board the outputs of the Annual JKH Board Evaluation.

A Omar
Chairman of the Nominations Committee

20 May 2022

Report of the Related Party Transaction Review Committee

The following Directors served as members of the Committee during the financial year:

P Perera
N Fonseka
A Cabraal

The Chairman-CEO, 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 practices 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 the 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 as well as the disclosures and assurances provided by the senior management of the listed companies in the Group in relation to such transactions, in terms of formulated guidelines so as to validate compliance with sec 9.5(a) of the listing rules and thus exclusion from the mandate for review & pre approval by the Committee, were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries were 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 below.

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 Transaction Review Committee

20 May 2022

Project Risk Assessment Committee

No of meetings - 1

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
P Perera
K Balendra
G Cooray

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

Corporate Governance Commentary

committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

The sub-committee convened once during the year under review to discuss the Group's investment in Colombo West International Terminal (Private) Limited (CWIT), the project company incorporated to undertake the development of the West Container Terminal-1 (WCT-1) in the Port of Colombo. The discussion entailed an assessment of the financial, legal, environmental, social and governance considerations as well as a detailed risk analysis, which was subsequently tabled to the Board.

Given the impact of the pandemic on Group businesses and the challenging macroeconomic uncertainties and volatilities during the latter part of the year, Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board.

H Wijayasuriya
Chairman of the Project Risk Assessment Committee

20 May 2022

Outlook and Emerging Challenges

The need for maintaining a robust and well-grounded corporate governance framework has become vital when operating in a dynamic socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, 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 and managing evolving external challenges.

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 these 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 03 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 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 lead 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.

Anti-Fraud, Anti-Corruption and Anti-Bribery

The Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of honesty as opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, validation, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing fraud and corruption. It covers inter alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position.

The Group seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

The Group will continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practice. The Group's continuous effort to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the second consecutive year in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2021, whilst being the only entity to obtain a full overall score for transparency in disclosure practices among the top 75 Public Limited Companies listed on the Colombo Stock Exchange.

A detailed discussion on anti-corruption, anti-fraud and anti-bribery is available on the corporate website at https://keells.com/resource/governance/John-Keells-Holdings-PLC-AR-2021_22-Corporate-Governance.pdf

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 inter-linkages 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 DE&I 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.

Subsequent to the private placement of Company shares to ADB in January 2022, and ADB's investment mandate pursuant to which private sector projects must have clear development impacts and positive externalities, particularly in ESG aspects, JKH will leverage on ADB's technical expertise to further enhance the Group's existing ESG processes and frameworks to reach best in class benchmarks. Whilst the Group has undertaken many initiatives in this regard, the involvement of a strategic partner such as ADB will significantly augment the current initiatives across the Group and enable a rapid scale up given its strong expertise and experience in this area.

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

Whilst the rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it 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 during the year 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 Sri Lankan Personal Data Protection Act No. 9 of 2022, 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.

The Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of honesty as opposition to fraud and corruption.

Efforts to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the second consecutive year in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2021.

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 JKH Annual Report)
(i)	Names of persons who were Directors of the Company	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	
(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	Share Information
	The public holding percentage in respect of non-voting Shares (where applicable)	Not Applicable	
(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	
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Share Information
(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	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	Reference (within the JKH Annual Report)
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance	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 JKH 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	Reference (within the JKH Annual 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 declarations confirming 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 to CSE for dissemination to the public	Yes	Detailed resumes of the new Independent NEDs appointed are submitted to the CSE. It is noted that there were no new appointments 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	The Chairman of the Audit Committee is an Independent NED.
a.3	CEO and CFO should attend AC meetings, unless otherwise determined by AC	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 related regulations and requirements	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.
b.3	Overseeing the process to ensure that 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.

Corporate Governance Commentary

CSE Rule		Compliance Status	Reference (within the JKH Annual Report)
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 or removal of External Auditors and also providing recommendations on 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 and manner of compliance of Company in relation to the above.	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

CSE Rule		Compliance Status	Reference (within the JKH Annual 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 Transaction Review Committee	Yes	Refer Report of the Related Party Transaction Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

Statement of Compliance pertaining to the Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Section		Compliance Status	Reference (within the JKH Annual Report)
168 (1) (a)	The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	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 thereto	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
168 (2)	Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.	Yes	Financial Statements / Annual Report of the Board of Directors

Sustainability Integration, Stakeholder Engagement and Materiality

The Group's approach and framework towards sustainable development and long-term value creation is outlined in the following section.

The Group in the need to achieve a balance between the Sustainability efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, 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 entails a detailed discussion of Sustainability Integration and Stakeholder Engagement.

Sustainability Integration

Our Approach

Over the years, the Group has made sustainable practices a strategic priority and ensured it is embedded into all operations, recognising that social responsibility and environmental stewardship are inseparable from its financial objectives. The Group remains steadfast in its commitment to being responsible and sustainable in operations that safeguard the well-being of both, people, and the planet. Sustainability is at the heart of the Group's operations and business-as-usual.

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 community 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 'Management Approach Disclosures' 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 content index.

Engagement of Significant Stakeholders

The Group's sustainability ambitions are shared across sectors and stakeholder groups, which is why the Group values input from stakeholders and commits to proactive and constructive engagement. The Group's stakeholders have been identified 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:

Stakeholder	Frequency					
	Annually	Bi-annually	Quarterly	Ongoing	Monthly	One-off
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

Following the most recent quantitative and qualitative stakeholder engagements, the Group constantly focused on engaging with stakeholders on their key concerns and ensuring its policies and processes prioritise issues material to these groups. The Group strives to ensure that it is a two-way process when engaging with stakeholders and welcomes inputs whilst proactively sharing progress updates.

During the reporting year, the Group faced challenges related to the ongoing COVID-19 pandemic 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.

Further, the Group was also challenged by the economic situation of the country, which resulted in record inflation, scarcity of commodities and shortages of fuel. The Group's management continuously engaged with relevant policymakers and other stakeholders to navigate this challenging phase.

Refer the Governance section on the Corporate Website for a detailed discussion on key sustainability concerns

Scope & Boundary

89 legal entities of the John Keells Group create the financial reporting boundary of the Annual Report 2021/22 of which 50 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, 5 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

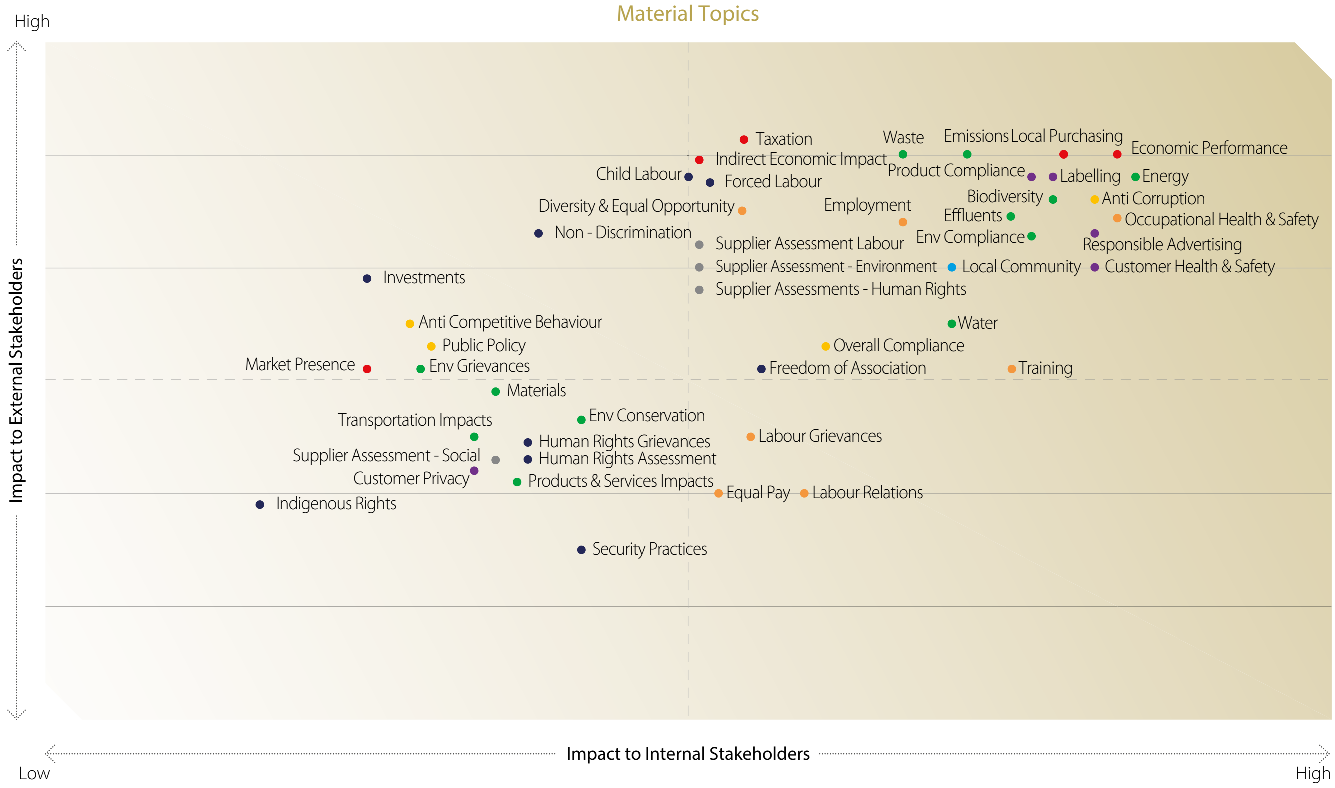
The Group is steadfast in its commitment to being responsible and sustainable in its operations that safeguard the well-being of both, people, and the planet.

Identification of Material Topics

In line with the increased scope of reporting, the Group carried out a comprehensive materiality assessment to cover its key business segments. This exercise aimed to identify the ESG topics that matter most to stakeholders and are most important for the long-term success of the Group. 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_2021_22.pdf

Risks, Opportunities and Internal Controls

The Group takes a comprehensive and integrated approach towards Risk Management, with processes incorporating good governance and sustainable development alongside effective risk management practices.

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 in alignment with the Group's sustainability and digitisation efforts. 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 recognises that proactive management of risk is essential for achieving the company's strategic objectives. The enterprise-wide risk management (ERM) framework ensures a structured process for risk identification and mitigation. Risk management is embedded across the Group and aligned to the Group's corporate governance and sustainability frameworks.

Overview of the Framework

- Risk identified at a Group level using a bottom-up approach.
- Business unit, management committee and Board level review and analysis of identified risks.
- 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	◆ High
Environment and health & safety	◆ Low
Reputation and brand image	◆ Low
Supply chain risk	◆ Ultra-High

◆ 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 COVID-19 pandemic related operational risks were reviewed on an ongoing basis at all business units.
- Business continuity and response plans at business unit level were further augmented and continuously monitored.
- Due to pandemic related limitations and travel restrictions, all central risk reviews were conducted remotely, ensuring the uninterrupted continuity of such processes.
- Whilst the risk rating in lieu of exchange rate exposure was upgraded to 'High', given the significant volatility of the Rupee and the associated challenges in liquidity, the Group adopted prudent measures, as and when required, to manage the financial impacts from liquidity constraints and currency fluctuations through strategies such as liability matching and mitigation of exposure through derivatives, where appropriate, proactively.

The first half of the year under review also entailed the impacts of pandemic related impacts, with intermittent lockdowns to control the spread of the virus. However, the easing of restrictions in tandem with the encouraging vaccination drive, contributed a strong recovery in business and consumer sentiment.

Given the unprecedented nature of pandemic, despite the learnings from the previous year, all businesses continued to proactively 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. The Group further facilitated the Government's initiative of vaccination by encouraging staff, families and community.

Given the continued impacts of the pandemic and the challenges on the macroeconomic front, particularly towards the latter end of the year under review, the Group continued with the various measures rolled-out last year 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, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group. To this end, as morefully disclosed in Share Information section of the report, the Company raised USD 50 million through the first phase of a private placement of ordinary shares to the Asian Development Bank.

The challenges on the economic, social and political fronts in the country, particularly towards the latter end of the year under review also created a challenging landscape for the Group to operate in. Hence, the year under review was also characterised by significant challenges on the foreign exchange front, where in addition to the depreciation of the currency towards the latter end of the year under review, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations through strategies such as matching liabilities with corresponding inflows.

With the Group facilitating remote working and increased digitisation of processes, 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

TRANSPARENCY

Financial Information

Index to the Financial Statements

Annual Report of the Board of Directors

The Directors have pleasure in presenting the 43rd Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Management Discussion and Analysis including Industry Group Review and all the other relevant information for the year ended 31 March 2022. 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.

The Group's businesses recorded strong improvement in profitability compared to the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. 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 driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The Group's Outlook has been presented in page 137 in the Annual Report.

Financial Statements

Financial Statements of the Company and Group for the year ended 31 March 2022, 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 the Integrated Annual Report.

John Keells Holdings PLC For the year ended 31 March In Rs.'000s	2022	2021
Profit after tax	24,381,407	10,565,887
Other adjustments	(3,810)	(2,135)
Balance brought forward from the previous year	67,557,002	59,631,436
Amount available for appropriation	91,934,599	70,195,188
Interim dividends of Rs.1.00 per share (2021-Rs.1.50) paid out of dividend received	(1,352,323)	(1,978,317)
Final dividend declared Rs.0.50 (2021-Rs.0.50)	(692,458)	(659,869)
Balance to be carried forward to the next year	89,889,818	67,557,002

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 2022, 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 Rs.1,876 Mn (2021– Rs.1,637 Mn), whilst Group revenue amounted to Rs.218,075 Mn (2021 – Rs.127,676 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 Rs.24,381 Mn (2021 – Rs.10,566 Mn) whilst the Group profit attributable to equity holders of the parent for the year was Rs.20,213 Mn (2021 - Rs.4,772 Mn).

The Company's total comprehensive income net of tax was Rs.26,570 Mn (2021 - Rs.11,296 Mn), and the Group total comprehensive income attributable to parent was Rs.76,733 Mn (2021 - Rs.10,761 Mn).

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 22 June 2022 to those shareholders on the register as of 31 May 2022.

Annual Report of the Board of Directors

Capital Expenditure

The Company's and Group's capital expenditure on property, plant and equipment amounted to Rs.14 Mn (2021 - Rs.9 Mn) and Rs.6,627 Mn (2021 - Rs.5,367 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 Rs.30 Mn (2021 - Rs.26 Mn) and Rs.1,360 Mn (2021 - Rs.2,187 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 2021 and the carrying value amounted to Rs.101,326 Mn (2021 - Rs.90,642 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 2021, and the carrying value amounted to Rs.30,608 Mn (2021- Rs.14,868 Mn). All information related to revaluation of the investment properties is provided in Note 24 to the Financial Statements.

Details of the Group's real estate as at 31 March 2022, are disclosed in the Group Real Estate Portfolio in the Supplementary Information section of the Annual Report.

Investments

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 2022 for the Company amounted to Rs.73,188 Mn (2021 - Rs.63,102 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.

Private placement of ordinary shares

In November 2021, the Company resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the Rs. equivalent of USD 80 million to the Asian Development Bank in two phases. In January 2022, the first phase of the above transaction was completed, where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the Rs. equivalent of USD 50 million, resulting in a post-issue dilution of 4.70 per cent subsequent to the first phase.

Additionally, in terms of second phase, the Company also issued 39,025,204 non-tradable/ non-transferable options, entitling ADB to subscribe for additional new ordinary shares of the Company, for an investment amount of up to a maximum of the Rs. equivalent of USD 30 million. The options exercise price would be based on the volume weighted average price of the Company's ordinary shares as quoted on the CSE during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00 and is exercisable between 19 October 2022 and 18 January 2023.

Based on the above, the maximum number of ordinary shares that would potentially be issued under the entire transaction, assuming all options are subscribed for, will be 104,067,210, thereby capping the post-issue dilution on the conclusion of both phases to a maximum of 7.31 per cent.

Revenue Reserves

Revenue reserves as at 31 March 2022 for the Company and Group amounted to Rs.90,582 Mn (2021 - Rs.68,217 Mn) and Rs.109,087 Mn (2021 - Rs.90,652 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 the 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 (ESOP) plans as at 31 March 2022, 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 2022 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 2022 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 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 contemplated by 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 which 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 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 (M A Omar - Director) Purchase 3,129,515 shares
- Mrs. S A Omar (Spouse of Mr. M A Omar - Director) Purchase 100,000 shares
- Phoenix Ventures (Pvt) Ltd (M A Omar and A N Fonseka - Directors) Purchase 695,000 shares
- Mr. D A Cabraal (Director) Purchase 105,000 shares
- Mr. J G A Cooray (Director) Inheritance 1,482 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 2021 to 31 March 2022.

Ceylon Cold Stores PLC

- S T Ratwatte (Director) - Purchase of 1,678 shares

Indemnities and Remuneration

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2021 to 31 March 2022 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 2020/2021, 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

Ceylon Cold Stores PLC

- D P Gamlath
- P N Fernando

Cinnamon Hotel Management Ltd

- 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 & Properties PLC

- J Durairatnam
- A S De Zoysa

Ceylon Cold Stores PLC

- M Hamza

Tea Smallholders Factories PLC

- S K L Obeyesekere
- A S Jayatilleke

Trans Asia Hotels PLC

- H A J De Silva Wijeratne (Appointed w.e.f 25 June 2021)

Union Assurance PLC

- D H Fernando
- S A Appleyard

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to individual Directors.

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 Colombo Stock Exchange Listing Rule 9.3.2 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 Ninth and Tenth plans approved by the shareholders on 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. Employee ownership in the Company is facilitated through the employee share option plan.

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.

Annual Report of the Board of Directors

The number of persons employed by the Company and Group as at 31 March 2022 was 152 (2021 - 110) and 15,551 (2021 - 13,831), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

Equity & Inclusion Policy

The Group recognises the importance of diversity, equity and inclusion and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, it is committed to providing a working environment where all employees are included, their diversity is embraced and where their contributions are valued. The Group believes that its workforce should reflect the diversity of the communities in which its businesses operate and the diverse set of stakeholders it creates value for, within the organisation and with its partners and vendors, and that positive relationships with stakeholder groups, which are also diverse and inclusive, will enable businesses to further augment its diversity and growth journey.

The Group recognises that organisations that constitute diverse and inclusive workforces are best placed to innovate, retain talent and deliver better overall results and firmly believes that it can achieve its highest potential through bringing together diverse perspectives and backgrounds. It is committed to advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are respected.

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. The significant macroeconomic volatility and impacts on supply chains necessitated discussions with suppliers to ensure minimal disruptions, particularly during the latter half of the financial year. As at 31 March 2022, the trade and other payables of the Company and Group amounted to Rs.566 Mn (2021 - Rs.373 Mn) and Rs.43,469 Mn (2021 - Rs.35,288 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 under 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 Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance are given under the in 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 seventh 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 the focus areas. 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 Rs.3 Mn (2021 - Rs.5 Mn) and Rs.8.5 Mn (2021 - Rs.7 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 have not engaged in any activity, which contravenes 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 annual risk reviews are carried out by the Enterprise Risk Management Division and the risks are further reviewed each quarter by each business unit. 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 to 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

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 going concern. During the year the operating environment improved despite the ongoing, but subsiding, effects of the pandemic. More notably, the current macroeconomic, political and social instability has caused significant disruptions to supply chains and the business outlook. Despite these, 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 support the view of the management. The management have 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, its independence and its 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 consolidated financial statements on 23 May 2022. The requisite 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.

Annual General Meeting

The Notice of Meeting of the Annual General Meeting appears in the Supplementary Information section of the Annual Report.

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
23 May 2022

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 22 June 2022 to those shareholders on the register as of 31 May 2022.

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
23 May 2022

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

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 2022, 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 2022, 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
Recognition and measurement of Group revenue Revenue of the group is derived from diverse operating segments as further disclosed in Note 8. Revenue was a key audit matter due to; • the significance of the amount of Rs. 218 Bn generated from industry specific sales arrangements for products and services. • the recognition of revenue in the property segment considering the terms and conditions of the customer contracts and the management's assessment of meeting its performance obligations at a point in time. • reliance on Information Technology (IT) in the operating segments, especially the Retail and Consumer food segments.	Our audit procedures amongst others included the following; We identified the operating segments that generated significant revenues and performed the following key procedures, with the involvement of component auditors, where relevant; • Performed appropriate analytical procedures to understand and assess the reasonableness of the reported revenues. • Evaluated the design of internal controls and tested the operating effectiveness of relevant controls relating to sale of goods and service arrangements. • Due to the reliance on IT in revenue recognition, we tested the general IT control environment and the key IT application controls relating to the most significant IT systems relevant to revenue recognition. • Tested the appropriateness of revenue recognised by reviewing the relevant sales contracts and other supporting documents including review of property development contracts to determine whether the related performance obligations have been satisfied for revenue recognition. We also assessed the adequacy of the disclosures in respect of revenue in Notes 8 and 14 to the financial statements.

Independent Auditors' Report

Key audit matter	How our audit addressed the key audit matter
Assessment of fair value of land and buildings Property, Plant and Equipment and Investment Property include land and buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Group. This was a key audit matter due to: • Materiality of the reported land & buildings balances which amounted to Rs. 132 Bn and represent 18% of the total assets. • The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings such as reliance on comparable market transactions, and current market conditions Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following: • Estimate of per perch value of the land • Estimate of the per square foot value of the buildings	Our audit procedures were based on the best available information as at date of this report and focused on the valuations performed by the external valuer engaged by the Group. Our procedures included the following; • We assessed the competency, capability and objectivity of the external valuer engaged by the Group. • We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land and building. • We assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each land and building. We have also assessed the adequacy of the disclosures made in Notes 22 and 24 to the financial statements relating to the significant judgements, valuation techniques and estimates used by the external valuer.
Life insurance contract liabilities Life Insurance Contract Liabilities amounting to Rs 51.3 Bn (note 36), represent 13% of total liabilities of the Group as at 31 March 2022, and are determined based on an actuarial valuation as described in note 36 to the financial statements. This was a key audit matter due to: • Materiality of the reported Life Insurance Contract Liabilities; • The degree of assumptions, judgements and estimation uncertainty associated with the actuarial valuation of Life Insurance Contract Liabilities; and • 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 rates, discount rates and related claim handling expenses.	To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included amongst others the following and were based on the best information available up to date of this report: • 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 made and the movement in the insurance contract liabilities.
Compliance with interest bearing loan covenants As of the reporting date, the Group reported total interest-bearing borrowings of Rs. 214 Bn, of which Rs. 55 Bn is reported as current liabilities and the balance Rs. 159 Bn as non-current liabilities. Interest bearing borrowings was a key audit matter due to the existence of numerous financial and non-financial covenants, the breach of which could impact the classification of the loans in the financial statements.	Our audit procedures included amongst others the following: • We obtained an understanding of the covenants attached to borrowings, by perusing the loan agreements. • We assessed the design and operating effectiveness of controls implemented for recording of the borrowings, monitoring, evaluating and timely reporting on covenant compliances in relation to interest bearing borrowings. We assessed the adequacy and appropriateness of the disclosures made in Note 37 to the financial statements relating to interest bearing borrowings.

Other information included in the Group's 2021/22 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 controls 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 Group.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

23 May 2022
Colombo

Income Statement

For the year ended 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Continuing operations					
Revenue from contracts with customers		202,849,175	114,454,483	1,875,722	1,637,063
Revenue from insurance contracts		15,225,571	13,221,167	-	-
Total revenue	14	218,074,746	127,675,650	1,875,722	1,637,063
Cost of sales		(180,430,008)	(108,747,058)	(1,085,049)	(957,490)
Gross profit		37,644,738	18,928,592	790,673	679,573
Dividend income	15	-	-	8,007,649	8,346,260
Other operating income	16.1	2,614,793	2,626,544	51,344	40,610
Selling and distribution expenses		(5,732,694)	(4,761,037)	-	-
Administrative expenses		(14,762,643)	(12,927,716)	(1,283,215)	(1,050,270)
Other operating expenses	16.2	(12,456,008)	(1,314,409)	(514,478)	(21,473)
Results from operating activities		7,308,186	2,551,974	7,051,973	7,994,700
Finance cost	17	(7,034,757)	(4,669,206)	(2,966,139)	(1,244,941)
Finance income	17	30,806,179	10,688,722	24,198,282	4,617,329
Change in insurance contract liabilities	36.2	(6,416,299)	(7,031,692)	-	-
Change in fair value of investment property	24	(4,084,755)	(253,425)	-	-
Share of results of equity accounted investees (net of tax)	27.3	6,745,939	4,158,793	-	-
Profit before tax		27,324,493	5,445,166	28,284,116	11,367,088
Tax expense	21.1	(6,881,586)	(1,494,275)	(3,902,709)	(801,201)
Profit for the year		20,442,907	3,950,891	24,381,407	10,565,887
Attributable to:					
Equity holders of the parent		20,212,968	4,772,100		
Non-controlling interests		229,939	(821,209)		
		20,442,907	3,950,891		
		Rs.	Rs.		
Earnings per share					
Basic	19.1	15.13	3.62		
Diluted	19.2	15.12	3.62		
Dividend per share	20	1.50	1.50		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 212 to 292 form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 March In Rs.'000s	Note	GROUP 2022	2021	COMPANY 2022	2021
Profit for the year		20,442,907	3,950,891	24,381,407	10,565,887
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		50,010,858	4,565,885	-	-
Net gain/(loss) on cash flow hedges		2,612,965	860,498	2,199,499	729,316
Net gain/(loss) on financial instruments at fair value through other comprehensive income		(1,629,621)	414,991	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		3,965,050	282,589	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		54,959,252	6,123,963	2,199,499	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		(16,145)	3,260	(6,923)	3,297
Revaluation of land and buildings	22.1	4,626,359	477,030	-	-
Re-measurement gain / (loss) on defined benefit plans	38.2	24,720	(95,096)	(3,810)	(2,135)
Share of other comprehensive income of equity accounted investees (net of tax)		13,541	(33,843)	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		4,648,475	351,351	(10,733)	1,162
Tax on other comprehensive income	21.2	(806,930)	(135,306)	-	-
Other comprehensive income for the period, net of tax		58,800,797	6,340,008	2,188,766	730,478
Total comprehensive income for the period, net of tax		79,243,704	10,290,899	26,570,173	11,296,365
Attributable to :					
Equity holders of the parent		76,732,956	10,760,991		
Non-controlling interests		2,510,748	(470,092)		
		79,243,704	10,290,899		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 212 to 292 form an integral part of these financial statements.

Statement of Financial Position

As at 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
ASSETS					
Non-current assets					
Property, plant and equipment	22	124,347,604	113,076,642	83,233	110,801
Right- of - use assets	23	53,481,574	40,616,850	-	-
Investment property	24	30,607,550	14,867,586	-	-
Intangible assets	25	5,399,338	4,852,978	94,363	97,522
Investments in subsidiaries	26	-	-	116,966,595	101,334,536
Investments in equity accounted investees	27	33,865,556	28,629,936	13,261,772	10,596,880
Non-current financial assets	28	48,690,489	62,589,803	3,083,037	17,611,121
Deferred tax assets	21.4	1,554,438	1,089,027	-	-
Other non-current assets	29	180,919,979	104,580,215	119,755	92,668
		478,866,528	370,303,037	133,608,755	129,843,528
Current assets					
Inventories	30	36,224,887	54,296,123	-	-
Trade and other receivables	31	27,495,348	17,456,698	103,914	114,780
Amounts due from related parties	44.1	196,394	123,553	660,699	1,465,816
Other current assets	32	11,914,461	5,919,453	816,604	170,901
Short term investments	33	110,721,544	69,262,761	83,972,660	51,591,037
Cash in hand and at bank		52,376,531	19,432,579	27,362,010	305,373
		238,929,165	166,491,167	112,915,887	53,647,907
Total assets		717,795,693	536,794,204	246,524,642	183,491,435
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	34.1	73,187,861	63,101,661	73,187,861	63,101,661
Revenue reserves		109,087,163	90,651,930	90,582,276	68,216,871
Other components of equity	34.2	129,011,413	72,403,140	6,010,081	3,621,176
		311,286,437	226,156,731	169,780,218	134,939,708
Non-controlling interest		18,805,036	16,830,098	-	-
Total equity		330,091,473	242,986,829	169,780,218	134,939,708
Non-current liabilities					
Insurance contract liabilities	36	51,349,323	45,160,611	-	-
Interest-bearing loans and borrowings	37	158,921,898	118,965,640	64,634,033	44,179,490
Lease liabilities	23	30,066,952	24,234,968	-	-
Deferred tax liabilities	21.4	12,016,404	7,720,111	2,841,984	-
Employee benefit liabilities	38	3,106,617	2,814,006	297,969	231,369
Non-current financial liabilities	39	2,413,880	3,660,952	-	-
Other non-current liabilities	40	220,203	19,545,655	-	-
		258,095,277	222,101,943	67,773,986	44,410,859
Current liabilities					
Trade and other payables	41	43,469,407	35,287,700	566,252	372,711
Amounts due to related parties	44.2	1,818	1,385	20,912	13,181
Income tax liabilities	21.3	2,618,554	1,988,170	880,969	717,029
Short term borrowings	42	14,833,056	6,903,737	2,000,000	-
Interest-bearing loans and borrowings	37	40,624,448	9,507,473	2,562,994	3,007,368
Lease liabilities	23	3,459,496	1,472,297	-	-
Other current financial liabilities		-	2,991,093	-	-
Other current liabilities	43	4,280,387	1,733,398	-	20,796
Bank overdrafts		20,321,777	11,820,179	2,939,311	9,783
		129,608,943	71,705,432	8,970,438	4,140,868
Total equity and liabilities		717,795,693	536,794,204	246,524,642	183,491,435

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 212 to 292 form an integral part of these financial statements.

23 May 2022
Colombo

Statement of Cash Flows

For the year ended 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	18,846,184	4,470,462	(254,366)	(146,513)
(Increase) / Decrease in inventories		31,067,158	(3,987,355)	-	-
(Increase) / Decrease in trade and other receivables		(24,703,584)	(1,066,095)	812,586	(12,321)
(Increase) / Decrease in other current assets		(3,524,277)	(277,860)	(645,703)	885,527
(Increase) / Decrease in other non-current assets		-	(20,755,867)	-	-
Increase / (Decrease) in other non-current financial liabilities		(833,606)	172,270	-	-
Increase / (Decrease) in trade, other payables and other non-current liabilities		(16,365,525)	18,340,712	202,013	(37,394)
Increase / (Decrease) in other current liabilities and other current financial liabilities		2,844,022	186,565	(20,796)	17,421
Increase / (Decrease) in insurance contract liabilities		6,188,712	6,974,772	-	-
Cash generated from operations		13,519,084	4,057,604	93,734	706,720
Finance income received		21,401,703	9,071,014	12,728,549	3,675,493
Finance cost paid		(4,682,977)	(2,100,700)	(2,823,070)	(791,933)
Dividend received		3,587,940	4,342,651	7,782,432	7,603,760
Tax paid		(3,116,944)	(1,269,419)	(892,485)	(473,682)
Gratuity paid		(269,012)	(276,410)	(1,775)	(7,968)
Net cash flows from operating activities		30,439,794	13,824,740	16,887,385	10,712,390
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	22.1, 22.2	(6,626,776)	(5,367,019)	(14,160)	(9,077)
Purchase of intangible assets		(580,932)	(944,667)	(30,165)	(25,611)
Addition to investment property	24	(386,987)	(113,015)	-	-
Purchase of lease rights		-	(3,645)	-	-
Increase in interest in subsidiaries		-	-	(15,488,558)	(14,398,397)
(Increase) / Decrease in other non-current assets		(26,275,996)	-	-	-
Increase in interest in equity accounted investees		(2,946,672)	(321,256)	(2,945,921)	(214,999)
Proceeds from sale of property, plant and equipment, intangible assets		1,600,605	105,639	5,670	-
Proceeds from sale of financial instruments - fair value through profit or loss		3,662,251	1,717,107	-	-
Proceeds from sale of a subsidiary		-	-	-	1,058,000
Purchase of financial instruments - fair value through profit or loss		(3,059,517)	(2,357,886)	-	-
(Purchase) / disposal of deposits and government securities (net)		77,079,443	(37,445,919)	82,967,106	(30,619,278)
(Purchase) / disposal of other non-current financial assets (net)		(111,553)	(213,287)	(2,140)	-
Exercise of contingent consideration	10.1	(2,991,093)	-	-	-
Net cash flows from/(used in) investing activities		39,362,773	(44,943,948)	64,491,832	(44,209,362)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		10,077,911	158,978	10,077,911	158,978
Changes in non-controlling interest		-	(5,999,478)	-	-
Dividend paid to equity holders of parent		(2,012,192)	(1,978,317)	(2,012,192)	(1,978,317)
Dividend paid to shareholders with non-controlling interest		(409,397)	(443,029)	-	-
Proceeds from long term borrowings	37.1	53,876,802	71,729,856	3,000,000	43,865,392
Repayment of long term borrowings	37.1	(34,946,688)	(6,753,731)	(1,474,806)	(540,608)
Payment of principal portion of lease liability		(2,822,370)	(2,386,808)	-	-
Proceeds from (repayment of) other financial liabilities (net)		7,929,319	1,099,966	2,000,000	-
Net cash flows from / (used in) financing activities		31,693,385	55,427,437	11,590,913	41,505,445
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		101,495,952	24,308,229	92,970,130	8,008,473
CASH AND CASH EQUIVALENTS AT THE BEGINNING		33,068,151	8,759,922	14,915,162	6,906,689
CASH AND CASH EQUIVALENTS AT THE END		134,564,103	33,068,151	107,885,292	14,915,162
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (less than 3 months)	33	102,509,349	25,455,751	83,462,593	14,619,572
Cash in hand and at bank		52,376,531	19,432,579	27,362,010	305,373
Unfavourable balances					
Bank overdrafts		(20,321,777)	(11,820,179)	(2,939,311)	(9,783)
Total cash and cash equivalents		134,564,103	33,068,151	107,885,292	14,915,162

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 212 to 292 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
A Profit before working capital changes					
Profit before tax		27,324,493	5,445,166	28,284,116	11,367,088
Adjustments for:					
Finance income	17	(30,806,179)	(10,688,722)	(24,198,282)	(4,617,329)
Dividend income	15	-	-	(8,007,649)	(8,346,260)
Finance costs	17	7,034,757	4,669,206	2,966,139	1,244,941
Share based payment expense	35	204,618	225,007	61,117	66,035
Change in fair value of investment property	24	4,084,755	253,425	-	-
Share of results of equity accounted investees	27.3	(6,745,939)	(4,158,793)	-	-
Depreciation of property, plant and equipment	22.1, 22.2	5,014,204	4,725,534	38,590	42,629
Provision for impairment	16.2	4,886,733	69,660	506,246	-
(Profit) / loss on sale of property, plant and equipment and intangible assets	16.1, 16.2	(62,198)	6,005	(2,532)	-
Amortisation of right- of - use assets	23.1	2,841,789	2,619,179	-	-
Amortisation of intangible assets	25.1	703,906	641,563	33,324	30,631
Employee benefit provision and related costs		584,154	651,409	64,565	65,752
Unrealised (gain) / loss on foreign exchange (net)		3,781,091	11,823	-	-
		18,846,184	4,470,462	(254,366)	(146,513)

Statement of Changes in Equity

COMPANY In Rs.'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 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
Profit for the year	-	-	-	-	24,381,407	24,381,407
Other comprehensive income	-	-	2,199,499	(6,923)	(3,810)	2,188,766
Total comprehensive income	-	-	2,199,499	(6,923)	24,377,597	26,570,173
Private placement of ordinary shares	10,048,991	-	-	-	-	10,048,991
Exercise of share options	28,920	-	-	-	-	28,920
Share based payments	8,289	196,329	-	-	-	204,618
Final dividend paid - 2020/21	-	-	-	-	(659,869)	(659,869)
Interim dividends paid - 2021/22	-	-	-	-	(1,352,323)	(1,352,323)
As at 31 March 2022	73,187,861	3,060,095	2,928,815	21,171	90,582,276	169,780,218

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 212 to 292 form an integral part of these financial statements.

Statement of Changes in Equity

GROUP In Rs.'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 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
Profit for the year	-	-	-	-	-	-	-	20,212,968	20,212,968	229,939	20,442,907
Other comprehensive income	-	-	3,318,359	52,761,465	2,579,791	-	(2,164,322)	24,695	56,519,988	2,280,809	58,800,797
Total comprehensive income	-	-	3,318,359	52,761,465	2,579,791	-	(2,164,322)	20,237,663	76,732,956	2,510,748	79,243,704
Transfer from Revaluation Reserves to Retained Earnings	-	-	(83,349)	-	-	-	-	83,349	-	-	-
Private placement of ordinary shares	10,048,991	-	-	-	-	-	-	-	10,048,991	-	10,048,991
Exercise of share options	28,920	-	-	-	-	-	-	-	28,920	-	28,920
Share based payments	8,289	-	-	-	-	196,329	-	-	204,618	-	204,618
Final dividend paid - 2020/21	-	-	-	-	-	-	-	(659,869)	(659,869)	-	(659,869)
Interim dividends paid - 2021/22	-	-	-	-	-	-	-	(1,352,323)	(1,352,323)	-	(1,352,323)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	126,413	126,413	(535,810)	(409,397)
As at 31 March 2022	73,187,861	3,626,604	41,012,553	79,185,589	2,928,815	3,060,095	(802,243)	109,087,163	311,286,437	18,805,036	330,091,473

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 212 to 292 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 2022 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 2022 were authorised for issue by the Board of Directors on 23 May 2022.

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

The Group has prepared the financial statements for the year ended 31 March 2022 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2022, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The Group's businesses recorded strong improvement in profitability compared to the previous year on the back of a fast recovery momentum with most of the businesses reaching pre COVID-19 levels of operations post the easing of restrictions. 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 driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above significant management judgements, estimates and assumptions, the impact of the macroeconomic uncertainties, including supply chain disruptions, power interruptions and distribution challenges on account of the prevailing foreign exchange market limitations, and the COVID-19 pandemic have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs), 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 (Rs):

Country of incorporation	Functional Currency	Name of the Subsidiary
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 (Pte) 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 (Rs.'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 (Rs), 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. 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.

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 2021.

Amendments to SLFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021.

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 which have been extended up to June 2022.

The following amendments and improvements do not expect to have a significant impact on the Group's financial statements.

- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 : Interest Rate Benchmark Reform - Phase 2.

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. However based on available information effective date is expected to extend from annual reporting period 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.

However based on available information effective date is expected to extend from annual reporting period beginning on or after 1 January 2023

The company is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective.

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

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.

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,selling condomoniums and management of the Group's real estate.

Notes to the Financial Statements

8. Operating segment information (Contd.)

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.

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 Rs.'000s**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	30,188,848	16,198,223	22,789,929	17,003,814	90,873,520	70,314,670
Services transferred over time	2,361,113	2,204,952	-	-	182,414	84,997
Total segment revenue	32,549,961	18,403,175	22,789,929	17,003,814	91,055,934	70,399,667
Elimination of inter segment revenue						
External revenue						
Segment results	(2,628,478)	863,752	2,451,687	2,450,905	1,551,585	3,382,058
Finance cost	(168,402)	(78,043)	(180,182)	(150,881)	(1,872,457)	(1,679,343)
Finance income	132,359	134,793	36,885	41,725	331,717	110,156
Change in fair value of investment property	-	-	16,955	3,873	-	-
Share of results of equity accounted investees	3,679,087	2,422,382	-	-	-	-
Eliminations / adjustments	128	-	21,540	(48,636)	(4,127)	4,738
Profit / (loss) before tax	1,014,694	3,342,884	2,346,885	2,296,986	6,718	1,817,609
Tax expense	(282,038)	(96,633)	(422,136)	(140,723)	(871,971)	(248,762)
Profit/ (loss) for the year	732,656	3,246,251	1,924,749	2,156,263	(865,253)	1,568,847
Purchase and construction of PPE*	283,326	100,490	1,147,426	626,423	4,144,698	2,712,459
Addition to IA*	2,940	500	251,419	210,597	782,860	1,167,094
Depreciation of PPE*	200,571	202,331	940,403	852,524	1,339,574	1,180,975
Amortisation of IA*	1,866	1,517	37,914	3,681	261,579	138,900
Amortisation of ROU*	58,210	59,858	6,964	6,222	1,020,120	915,755
Employee benefit provision and related costs	24,365	29,276	113,509	118,387	95,776	90,868

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	
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
-	-	35,220,257	228,757	-	-	2,018,797	2,346,224	181,091,351	106,091,688
18,914,184	5,411,731	763,173	578,193	15,685,926	13,601,023	4,125,135	3,968,823	42,031,945	25,849,719
18,914,184	5,411,731	35,983,430	806,950	15,685,926	13,601,023	6,143,932	6,315,047	223,123,296	131,941,407
								(5,048,550)	(4,265,757)
								218,074,746	127,675,650
65,158	(7,555,464)	2,683,512	40,590	2,867,497	1,773,064	(791,245)	(131,794)	6,199,716	823,111
(1,354,402)	(1,192,991)	(138,747)	(16,800)	(323,352)	(274,019)	(2,997,215)	(1,277,129)	(7,034,757)	(4,669,206)
109,286	170,104	107,339	64,656	173,059	153,351	24,310,553	4,716,984	25,201,198	5,391,769
104,950	16,250	(4,287,974)	(291,262)	-	-	81,314	17,714	(4,084,755)	(253,425)
(35,391)	(70,829)	824,630	99,417	2,277,613	1,707,823	-	-	6,745,939	4,158,793
(170,750)	105,995	(35,829)	(33,046)	-	-	486,190	(34,927)	297,152	(5,876)
(1,281,149)	(8,526,935)	(847,069)	(136,445)	4,994,817	3,360,219	21,089,597	3,290,848	27,324,493	5,445,166
(21,031)	929,329	(139,140)	(139,428)	(680,777)	(863,062)	(4,464,493)	(934,996)	(6,881,586)	(1,494,275)
(1,302,180)	(7,597,606)	(986,209)	(275,873)	4,314,040	2,497,157	16,625,104	2,355,852	20,442,907	3,950,891
639,952	1,708,144	114,410	91,219	183,620	56,395	113,344	71,889	6,626,776	5,367,019
11,415	20,452	-	-	244,721	733,987	66,822	54,670	1,360,177	2,187,300
2,230,149	2,206,781	57,419	45,867	99,540	84,148	146,548	152,908	5,014,204	4,725,534
71,774	67,735	6,601	6,658	274,115	383,053	50,057	40,019	703,906	641,563
1,633,812	1,489,624	21,427	22,582	100,078	125,049	1,178	89	2,841,789	2,619,179
140,792	199,193	14,221	7,091	63,377	67,914	132,114	138,680	584,154	651,409

Notes to the Financial Statements

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 Rs.'000s	Transportation 31.03.2022	Transportation 31.03.2021	Consumer Foods 31.03.2022	Consumer Foods 31.03.2021	Retail 31.03.2022	Retail 31.03.2021
Property, plant and equipment	967,241	955,742	10,112,354	9,729,769	17,153,312	14,343,328
Right-of-use-assets	103,319	161,528	274,048	232,942	9,838,314	9,361,332
Investment property	-	-	317,250	300,295	-	-
Intangible assets	73,593	7,949	683,547	464,637	2,274,943	1,606,164
Non-current financial assets	126,064	153,107	210,412	177,598	161,887	157,731
Other non-current assets	11,193	14,867	34,550	58,377	972,291	1,015,907
Segment non-current assets	1,281,410	1,293,193	11,632,161	10,963,618	30,400,747	26,484,462
Investments in equity accounted investees	15,050,879	12,208,454	-	-	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	4,597,542	333,102	3,729,059	2,252,476	8,020,175	7,276,679
Trade and other receivables	5,699,913	1,925,320	3,940,217	3,167,757	2,877,516	2,990,445
Short term investments	5,619,503	100,369	758	514	3,181,909	3,753,429
Cash in hand and at bank	4,931,536	3,697,218	615,102	200,993	5,273,668	2,716,348
Segment current assets	20,848,494	6,056,009	8,285,136	5,621,740	19,353,268	16,736,901
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest bearing loans and borrowings	7,333	31,889	358,647	627,335	7,991,304	4,600,000
Lease liabilities	109,010	163,747	152,328	102,340	9,786,865	8,756,050
Employee benefit liabilities	105,801	112,944	707,380	659,432	418,092	339,146
Non-current financial liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	96,183	101,054	-	-
Segment non-current liabilities	222,144	308,580	1,314,538	1,490,161	18,196,261	13,695,196
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	5,700,540	1,191,007	4,321,046	2,577,616	21,981,118	16,513,758
Short term borrowings	10,838,491	3,192,886	-	-	2,000,000	4,248,003
Interest bearing loans and borrowings	10,000	13,111	634,042	543,455	1,588,696	1,200,000
Lease liabilities	-	-	1,396	1,110	476,996	337,921
Other current financial liabilities	-	-	-	-	-	-
Bank overdrafts	1,905,340	506,826	2,121,675	1,375,024	3,773,544	4,188,582
Segment current liabilities	18,454,371	4,903,830	7,078,159	4,497,205	29,820,354	26,488,264
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	22,129,904	7,349,202	19,917,297	16,585,358	49,754,015	43,221,363
Total segment liabilities	18,676,515	5,212,410	8,392,697	5,987,366	48,016,615	40,183,460

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	
31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
63,491,916	57,793,645	4,991,754	4,802,630	2,738,220	2,463,891	1,313,218	1,362,978	100,768,015	91,451,983
41,403,024	29,163,573	216,807	220,666	454,179	298,767	34,800	35,978	52,324,491	39,474,786
4,701,632	4,429,456	47,032,217	29,891,114	-	-	2,421,012	2,125,423	54,472,111	36,746,288
200,488	260,848	667	834	1,480,614	1,807,054	204,944	194,592	4,918,796	4,342,078
10,435,965	7,021,227	82,148	43,951	44,176,904	43,570,046	3,424,868	17,998,486	58,618,248	69,122,146
20,304	24,891	180,224,953	103,803,090	70,053	91,000	141,949	114,461	181,475,293	105,122,593
120,253,329	98,693,640	232,548,546	138,762,285	48,919,970	48,230,758	7,540,791	21,831,918	452,576,954	346,259,874
1,391,744	1,430,014	2,807,341	1,982,710	14,615,592	13,008,758	-	-	33,865,556	28,629,936
								1,554,438	1,089,027
								730,901	738,596
								(9,861,321)	(6,414,396)
								478,866,528	370,303,037
624,324	362,738	19,052,049	43,872,141	9,441	14,843	244,438	255,930	36,277,028	54,367,909
4,572,062	879,635	7,796,348	221,386	2,184,085	7,623,070	2,645,024	3,147,434	29,715,165	19,955,047
3,521,626	2,764,348	116,870	286,992	17,037,398	13,457,845	84,710,109	52,254,596	114,188,173	72,618,093
2,561,453	1,469,552	7,137,753	7,925,556	1,084,499	887,497	30,735,857	2,458,360	52,339,868	19,355,524
11,279,465	5,476,273	34,103,020	52,306,075	20,315,423	21,983,255	118,335,428	58,116,320	232,520,234	166,296,573
								11,914,461	5,919,453
								(5,505,530)	(5,724,859)
								238,929,165	166,491,167
								717,795,693	536,794,204
-	-	-	-	51,349,323	45,160,611	-	-	51,349,323	45,160,611
26,799,374	20,137,034	69,018,341	55,878,945	-	-	64,650,033	44,198,156	168,825,032	125,473,359
19,659,970	14,983,915	462	462	312,659	182,797	-	-	30,021,294	24,189,311
927,287	894,015	38,187	23,427	279,515	247,261	630,355	537,781	3,106,617	2,814,006
-	-	2,413,880	3,660,951	-	-	-	-	2,413,880	3,660,951
124,244	111,839	-	19,332,966	-	-	447	467	220,874	19,546,326
47,510,875	36,126,803	71,470,870	78,896,751	51,941,497	45,590,669	65,280,835	44,736,404	255,937,020	220,844,564
								12,016,404	7,720,111
								(9,858,147)	(6,462,732)
								258,095,277	222,101,943
4,061,764	2,523,654	2,820,379	1,739,109	4,616,409	11,690,755	2,227,717	1,596,742	45,728,973	37,832,641
3,466,629	2,770,345	-	-	-	-	2,016,044	22,074	18,321,164	10,233,308
4,361,702	1,556,407	31,467,019	3,173,799	-	-	2,562,994	3,020,702	40,624,453	9,507,474
2,947,896	1,131,749	-	-	131,917	114,858	-	-	3,558,205	1,585,638
-	-	-	2,991,093	-	-	-	-	-	2,991,093
7,364,353	4,905,726	1,758,998	421,127	160,879	143,295	3,308,983	351,598	20,393,772	11,892,178
22,202,344	12,887,881	36,046,396	8,325,128	4,909,205	11,948,908	10,115,738	4,991,116	128,626,567	74,042,332
								2,618,554	1,988,170
								4,280,387	1,733,398
								(5,916,565)	(6,058,468)
								129,608,943	71,705,432
								387,704,220	293,807,375
131,532,794	104,169,913	266,651,566	191,068,360	69,235,393	70,214,013	125,876,219	79,948,238	685,097,188	512,556,447
69,713,219	49,014,684	107,517,266	87,221,879	56,850,702	57,539,577	75,396,573	49,727,520	384,563,587	294,886,896

Notes to the Financial Statements

8. Operating segment information (Contd.)

8.3 Business Segment analysis - Disaggregation of revenue - Business segment analysis

	GROUP					
	2022			2021		
For the year ended 31 March In Rs.'000s	Sale of goods	Rendering of services	Total revenue	Sale of goods	Rendering of services	Total revenue
Transportation	30,188,848	1,699,199	31,888,047	16,198,223	1,220,234	17,418,457
Consumer Foods	21,007,883	-	21,007,883	16,510,040	-	16,510,040
Retail	90,659,816	182,414	90,842,230	70,143,914	84,742	70,228,656
Leisure	-	18,878,616	18,878,616	-	5,356,272	5,356,272
Property	35,220,257	511,132	35,731,389	228,757	383,252	612,009
Financial Services	-	15,685,763	15,685,763	-	13,601,023	13,601,023
Others	2,018,797	2,022,021	4,040,818	2,346,224	1,602,969	3,949,193
Group revenue	179,095,601	38,979,145	218,074,746	105,427,158	22,248,492	127,675,650

8.4 Disaggregation of revenue - Geographical segment analysis (by location of customers)

	GROUP	
For the year ended 31 March In Rs.'000s	2022	2021
Sri Lanka	170,809,324	110,068,147
Asia (excluding Sri Lanka)	16,513,760	8,063,051
Europe	19,604,217	6,299,503
Others	11,147,445	3,244,949
Group external revenue	218,074,746	127,675,650

8.5 Geographical segments, based on the location of assets

	Sri Lanka		Asia (excluding Sri Lanka)		Group Total	
As at/for the period ended 31 March In Rs.'000s	2022	2021	2022	2021	2022	2021
Group external revenue	207,676,917	124,969,829	10,397,829	2,705,821	218,074,746	127,675,650
Segment revenue	212,676,540	129,235,586	10,446,756	2,705,821	223,123,296	131,941,407
Segment results	5,239,287	3,462,853	960,429	(2,639,742)	6,199,716	823,111
Segment assets	623,612,925	461,374,360	61,484,263	51,182,087	685,097,188	512,556,447
Segment liabilities	330,636,732	255,946,546	53,926,855	38,940,350	384,563,587	294,886,896
Purchase and construction of property, plant and equipment	6,421,345	4,593,497	205,431	773,522	6,626,776	5,367,019
Purchase and construction of intangible assets	1,360,177	2,187,300	-	-	1,360,177	2,187,300
Depreciation of property, plant and equipment	3,943,240	3,719,193	1,070,964	1,006,341	5,014,204	4,725,534
Amortisation of intangible assets	703,906	641,563	-	-	703,906	641,563
Amortisation of right- of - use assets	1,265,845	1,193,160	1,575,944	1,426,019	2,841,789	2,619,179
Employee benefit provision and related costs	584,154	651,409	-	-	584,154	651,409
Investments in equity accounted investees	33,865,556	28,629,936	-	-	33,865,556	28,629,936

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.

Notes to the Financial Statements

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 Rs.'000s	2022	2021	2022	2021	2022	2021
Summarised Income Statement for the period ending 31 March						
Revenue	18,914,184	5,411,731	22,789,929	17,003,814	91,055,934	70,399,667
Operating cost	(18,821,252)	(12,797,193)	(19,745,444)	(14,042,908)	(89,496,281)	(67,031,278)
Finance cost	(1,354,402)	(1,192,991)	(180,182)	(150,881)	(1,880,525)	(1,679,343)
Finance income	109,286	170,104	36,885	41,725	331,717	110,156
Change in fair value of investment property	272,176	(93,269)	16,955	3,873	-	-
Profit before tax	(880,008)	(8,501,618)	2,918,143	2,855,623	10,845	1,799,202
Tax expense	(45,208)	939,516	(422,136)	(140,723)	(871,971)	(239,748)
Profit for the year	(925,216)	(7,562,102)	2,496,007	2,714,900	(861,126)	1,559,454
Other comprehensive income	7,709,765	867,016	445,646	219,530	77,464	145,587
Total comprehensive income	6,784,549	(6,695,086)	2,941,653	2,934,430	(783,662)	1,705,041
Profit/(loss) allocated to NCI	(354,038)	(1,386,816)	335,195	379,676	108,455	95,882
Dividend paid to NCI	-	34,682	303,576	511,682	47,122	-
Summarised Statement of Financial Position as at 31 March						
Non-current assets	120,253,329	98,693,640	11,632,161	10,963,618	30,400,747	26,484,462
Current assets	11,279,465	5,476,273	8,285,136	5,621,740	19,353,268	16,736,901
Total assets	131,532,794	104,169,913	19,917,297	16,585,358	49,754,015	43,221,363
Non-current liabilities	47,510,875	36,126,803	1,314,538	1,490,161	18,196,261	13,695,196
Current liabilities	22,202,344	12,887,881	7,078,159	4,497,205	29,820,354	26,488,264
Total liabilities	69,713,219	49,014,684	8,392,697	5,987,366	48,016,615	40,183,460
Accumulated balances of NCI	11,436,504	10,236,551	5,071,929	4,403,591	1,327,956	1,162,478
Summarised Statement of Cash Flows for the year ended 31 March						
Cash flows from/(used in) operating activities	514,163	(2,138,318)	2,966,726	3,224,581	7,921,836	9,656,339
Cash flows from/(used in) investing activities	(679,397)	(1,879,492)	(1,508,946)	(332,719)	(3,148,738)	(4,293,973)
Cash flows from/(used in) financing activities	4,526,341	1,851,082	(1,910,526)	(2,769,096)	(2,440,274)	5,052,179
Net increase / (decrease) in cash and cash equivalents	4,361,107	(2,166,728)	(452,746)	122,766	2,332,824	10,414,545

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	2022	2021
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%	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%
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 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.

Notes to the Financial Statements

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 Rs.13,552 Mn (2021 - Rs.8,418 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 Rs.1,940 Mn in JK Land to increase its shareholding in Vauxhall Land Developments (Pvt) Ltd.

Vauxhall Land Developments (Pvt) Ltd (VLD)

John Keells Holdings PLC, through JK Land (Pvt) Ltd, discharged the committed consideration to acquire the remaining 13.3% equity stake of VLD from Finlays Colombo Limited for a consideration of Rs.2,991 Mn.

John Keells Property Developments (Pvt) Ltd

John Keells Property Developments (Pvt) Ltd disposed 98.88 perches of land in Tickell Road, Colombo 8 for a consideration of Rs.1.14 Bn and the company is under liquidation.

10.2 Investment in equity accounted investees

Colombo West International Container Terminal (Pvt) Ltd (CWIT)

John Keells Holdings PLC invested Rs.2,856 Mn in CWIT as per the Build, Own and Transfer (BOT) Agreement between the Sri Lanka Ports Authority and CWIT. JKH has a 34% stake in CWIT with the primary investor Adani Ports and Special Economic Zone Limited having a stake of 51%.

Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd (IMMS)

John Keells Holdings PLC invested Rs.16 Mn in IMMS as per the joint venture agreement entered into with ISS Group Holdings Limited. This investment gives JKH the right to 60% of the shares of IMMS.

Saffron Aviation (Pvt) Ltd (Saffron)

John Keells Holdings PLC (JKH) further invested Rs.74 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		2022						
In Rs.'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	31,752,878	-	-	10,704,129	-	42,457,007	18%
Corporate debt securities	11.1.3	9,553,315	-	-	1,454,315	-	11,007,630	5%
Deposits with banks	11.1.4	632,491	-	-	95,936,007	-	96,569,378	41%
Loans to executives	11.1.5	1,048,842	-	326,682	-	-	1,375,524	1%
Loans to life policyholders	11.1.6	1,952,394	-	-	-	-	1,952,394	1%
Preference Shares	11.1.7	373,701	-	-	-	-	373,701	0%
Interest rate swap	11.1.8	2,928,815	-	-	-	-	2,928,815	1%
Trade and other receivables	11.1.9	-	-	25,550,066	-	-	25,550,066	11%
Reinsurance receivables	11.1.10	-	-	1,135,652	-	-	1,135,652	0%
Assets backed securities	11.1.11	314,304	-	-	-	-	314,304	0%
Premium receivable	11.1.12	-	-	482,948	-	-	482,948	0%
Amounts due from related parties	11.1.13	-	-	-	-	196,394	196,394	0%
Cash in hand and at bank	11.1.14	-	52,376,531	-	-	-	52,376,531	22%
Total credit risk exposure		48,556,740	52,376,531	27,495,348	108,095,331	196,394	236,406,039	100%
Financial assets at fair value through P&L	11.3.3.1	-	-	-	2,626,213	-		
Financial assets at fair value through OCI	11.3.3.2	133,749	-	-	-	-		
Total equity risk exposure		133,749	-	-	2,626,213	-		
Total		48,690,489	52,376,531	27,495,348	110,721,544	196,394		
Company								
Government securities		-	-	-	-	-	-	-
Deposits with banks	11.1.4	-	-	-	83,972,660	-	83,972,660	73%
Loans to executives	11.1.5	66,659	-	23,078	-	-	89,737	0%
Interest rate swap	11.1.8	2,928,815	-	-	-	-	2,928,815	2%
Trade and other receivables	11.1.9	-	-	80,836	-	-	80,836	0%
Amounts due from related parties	11.1.13	-	-	-	-	660,699	660,699	1%
Cash in hand and at bank	11.1.14	-	27,362,010	-	-	-	27,362,010	24%
Total credit risk exposure		2,995,474	27,362,010	103,914	83,972,660	660,699	115,094,757	100%
Financial assets at fair value through OCI	11.3.3.2	87,563	-	-	-	-		
Total equity risk exposure		87,563	-	-	-	-		
Total		3,083,037	27,362,010	103,914	83,972,660	660,699		

	2021						
	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
	29,703,638	-	-	10,455,199	-	40,158,837	24%
	9,955,243	-	-	1,290,325	-	11,245,568	7%
	18,871,021	-	-	54,045,971	-	72,916,992	44%
	990,562	-	341,838	-	-	1,332,400	1%
	1,840,841	-	-	-	-	1,840,841	1%
	351,430	-	-	-	-	351,430	0%
	729,316	-	-	-	-	729,316	1%
	-	-	16,192,825	-	-	16,192,825	10%
	-	-	589,306	-	-	589,306	0%
	-	-	-	-	-	-	-
	-	-	332,729	-	-	332,729	0%
	-	-	-	-	123,553	123,553	0%
	-	19,432,579	-	-	-	19,432,579	12%
	62,442,051	19,432,579	17,456,698	65,791,495	123,553	165,246,376	100%
	-	-	-	3,471,266	-		
	147,752	-	-	-	-		
	147,752	-	-	3,471,266	-		
	62,589,803	19,432,579	17,456,698	69,262,761	123,553		
	-	-	-	3,339,580	-	3,339,580	5%
	16,729,867	-	-	48,251,457	-	64,981,324	92%
	59,592	-	19,406	-	-	78,998	0%
	729,316	-	-	-	-	729,316	1%
	-	-	95,374	-	-	95,374	0%
	-	-	-	-	1,465,816	1,465,816	2%
	-	305,373	-	-	-	305,373	0%
	17,518,775	305,373	114,780	51,591,037	1,465,816	70,995,781	100%
	92,346	-	-	-	-		
	92,346	-	-	-	-		
	17,611,121	305,373	114,780	51,591,037	1,465,816		

11. Financial risk management objectives and policies (Contd.)

11.1.2 Government securities

As at 31 March 2022 as shown in table above, 18% (2021 - 24%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments.

11.1.3 Corporate debt securities

As at 31 March 2022 corporate debt securities comprise 5% (2021-7%) of the total investments in debt securities, out of which 47% (2021 – 53%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

	GROUP			
As at 31 March	2022		2021	
Fitch ratings	In Rs.'000s	%	In Rs.'000s	%
AAA	-	-	158,965	1%
AA	959,461	9%	1,307,864	12%
AA-	863,526	8%	1,074,244	10%
A+	895,622	8%	665,947	6%
A	2,407,965	22%	2,665,685	24%
A-	2,179,836	20%	2,128,541	19%
BBB	114,312	1%	168,264	1%
BBB+	3,212,371	29%	3,076,058	27%
B-	158,934	1%	-	-
CC	215,603	2%	-	-
Total	11,007,630	100%	11,245,568	100%

11.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2022, fixed and call deposits comprise 91% (2021 - 99%) and 90% (2021 - 100%) for the Group and Company respectively were rated "A" or better.

	GROUP				COMPANY			
As at 31 March	2022		2021		2022		2021	
Fitch ratings	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%
AAA	-	-	2,358,274	3%	-	-	-	-
AA+	-	-	367,612	0%	-	-	-	-
AA-	80,016,461	83%	64,608,594	89%	54,088,324	64%	62,764,844	97%
A+	1,120,113	1%	4,238,545	6%	-	-	2,216,480	3%
A	6,187,339	7%	591,766	1%	21,689,059	26%	-	-
A-	985,225	1%	-	-	-	-	-	-
B	-	-	752,201	1%	-	-	-	-
CC	8,260,240	8%	-	-	8,195,277	10%	-	-
Total	96,569,378	100%	72,916,992	100%	83,972,660	100%	64,981,324	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 Assuarance 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 Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
Neither past due nor impaired	8,295,935	9,882,277	15,490	20,618
Past due but not impaired				
0-30 days	10,471,326	4,343,193	19,577	19,454
31–60 days	3,751,646	923,115	9,184	9,121
61–90 days	1,893,908	681,878	33,437	33,376
> 91 days	1,137,251	362,362	3,148	12,805
Allowance for expected credit losses	679,572	1,314,335	944	14,555
Gross carrying value	26,229,638	17,507,160	81,780	109,929
Allowance for expected credit losses	(679,572)	(1,314,335)	(944)	(14,555)
Total	25,550,066	16,192,825	80,836	95,374

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 different rearrangement of homogeneous groups. Receivable balances are monitored on an ongoing basis to minimise bad debt risk and to ensure default rates are kept very low, whilst the improved operating environment resulted in improved collections during the financial year although there could be stresses in the ensuing year on account of the macroeconomic uncertainty and related impacts to our customers on account of elevated inflation and interest rates and the possible impact on consumer discretionary spend.

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 Asset Backed Securities

Asset Backed Securities are fixed income instruments created through securitization. This involves transferring assets (collateral) from the original owner to the trustee and then issuing securities based by these assets. The asset cash flows of the collateral are used to pay interest and re- pay capital. The Group closely monitors the grate rate of the investment to mitigate the credit risk associated.

11.1.12 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.

11.1.13 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.

11.1.14 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.

Notes to the Financial Statements

11. Financial risk management objectives and policies (Contd.)

11.2.1 Net debt/(cash)

As at 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Short term investments	110,721,544	69,262,761	83,972,660	51,591,037
Cash in hand and at bank	52,376,531	19,432,579	27,362,010	305,373
Adjustments to liquid assets	(6,008,147)	(6,937,193)	-	-
Total liquid assets	157,089,928	81,758,147	111,334,670	51,896,410
Interest-bearing loans and borrowings (Non-current)	158,921,898	118,965,640	64,634,033	44,179,490
Lease liabilities (Non-current)	30,066,952	24,234,968	-	-
Short term borrowings	14,833,056	6,903,737	2,000,000	-
Interest-bearing loans and borrowings (Current)	40,624,448	9,507,473	2,562,994	3,007,368
Lease liabilities (Current)	3,459,496	1,472,297	-	-
Bank overdrafts	20,321,777	11,820,179	2,939,311	9,783
Total liabilities	268,227,627	172,904,294	72,136,338	47,196,641
Net debt / (cash)	111,137,699	91,146,147	(39,198,332)	(4,699,769)

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 2022 based on contractual undiscounted (principal plus interest) payments.

GROUP

In Rs.'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	44,444,003	30,103,624	37,649,735	38,215,436	32,110,580	40,827,883	223,351,262
Lease liabilities	4,782,574	3,739,568	4,953,710	3,413,157	3,498,153	22,539,787	42,926,949
Interest rate swap	-	-	-	-	-	-	-
Trade and other payables	43,469,407	-	-	-	-	-	43,469,407
Amounts due to related parties	1,818	-	-	-	-	-	1,818
Short term borrowings	14,833,056	-	-	-	-	-	14,833,056
Bank overdrafts	20,321,777	-	-	-	-	-	20,321,777
	127,852,636	33,843,192	42,603,445	41,628,593	35,608,733	63,367,670	344,904,269

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.

In Rs.'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

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 based on contractual undiscounted (principal plus interest) payments.

In Rs.'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	5,374,976	5,846,223	9,525,647	15,522,813	12,963,246	40,417,925	89,650,830
Trade and other payables	566,252	-	-	-	-	-	566,252
Amounts due to related parties	20,912	-	-	-	-	-	20,912
Short term borrowings	2,000,000	-	-	-	-	-	2,000,000
Bank overdrafts	2,939,311	-	-	-	-	-	2,939,311
	10,901,451	5,846,223	9,525,647	15,522,813	12,963,246	40,417,925	95,177,305

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 Rs.'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

Notes to the Financial Statements

11. Financial risk management objectives and policies (Contd.)

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 2022 and 2021.

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.

* 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 2022 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.

To manage the exposure of floating interest rates which is common to most loans, the Group enters into interest rate swaps, where necessary and applicable, 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 Central Bank of Sri Lanka (CBSL) adopted a tightening monetary policy stance during the latter half of the financial year, resulting in an upward trend in interest rates. Elevated pressures on inflation on account of many factors including increases in global commodity prices, food supply and the sharp depreciation of the currency in March 2022 have resulted in strong policy actions by the CBSL on monetary policy post the end of the reporting period. Such actions have raised monetary policy rates significantly and helped bridge the gap between policy and market interest rates. The Group proactively managed the risk of increasing interest rates by re-balancing its portfolio of borrowings and moved a sizeable portion of the Sri Lankan Rupee borrowings on a long-term basis. Further, where relevant and possible, a majority of the Rupee long-term facilities were on a fixed rate basis over the tenor of the loan. In respect of the Group's foreign currency borrowing portfolio, interest rate swap agreements are in place for a sizeable portion of the facilities.

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 Rs.'000s	
2022	+138	+58	(1,220,476)	(498,851)
	-138	-58	1,220,476	498,851
2021	+411	+71	(1,730,706)	(736,264)
	-411	-71	1,730,706	736,264

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 translation

For purposes of Group consolidated financial statements, income and expenses and assets and liabilities of subsidiaries whose functional currency differs from the Group presentation currency are translated into the Group presentation currency. 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.

		GROUP		COMPANY	
For the year ended 31 March	**Increase/(decrease) in exchange rate USD**	**Effect on profit before tax Rs.'000s**	**Effect on equity Rs.'000s**	**Effect on profit before tax Rs.'000s**	**Effect on equity Rs.'000s**
2022	+52%	23,158,974	88,861,968	27,672,121	1,524,448
	-52%	(23,158,974)	(88,861,968)	(27,672,121)	(1,524,448)
2021	+ 7%	2,186,890	7,286,362	763,078	-
	- 7%	(2,186,890)	(7,286,362)	(763,078)	-

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

The Sri Lankan Rupee witnessed significant volatility, particularly during the latter part of the year. Whilst the exchange rate was kept at a pegged level during the year, as per the guidelines issued to the banks by the Central Bank of Sri Lanka (CBSL), the currency depreciated sharply in March 2022 once the CBSL allowed a free float of the currency which resulted in a steep depreciation of the Rs. by 31 March 2022. In addition to the depreciation of the currency, there were significant challenges in the foreign currency market on the back of a marked reduction in liquidity amidst declining confidence and a depletion of foreign currency reserves in the country. This resulted in a series of measures such as the continuation of certain import controls and stipulations on foreign currency conversions and remittances. The lack of confidence in the market however resulted in a sharp reduction in foreign currency employment remittances which exacerbated the liquidity situation. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. 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 at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows as far as possible while also using the strength of the Group balance sheet to manage the situation.

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.

Notes to the Financial Statements

As at 31 March	GROUP			
	2022		2021	
	Rs.'000s	%	Rs.'000s	%
Banks	369,346	14%	1,400,564	40%
Capital goods	972,803	37%	675,286	20%
Consumer durables and apparel	653,667	25%	347,799	10%
Consumer services	52,532	2%	23,841	1%
Food and staples retailing	-	-	269,082	8%
Food beverage and tobacco	197,718	7%	565,561	16%
Materials	69,533	3%	-	-
Telecommunication services	259,743	10%	189,133	5%
Application Software	25,258	1%	-	-
Household and Personal Products	4,527	0%	-	-
Transpotation	21,086	1%	-	-
	2,626,213	100%	3,471,266	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.

For the year ended 31 March	GROUP		
	Change in year-end market price index	Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s
2022	+28%	1,103,009	-
	- 28%	(1,103,009)	-
2021	+42%	1,457,932	-
	-42%	(1,457,932)	-

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.

As at 31 March	GROUP		COMPANY	
	2022	2021	2022	2021
Debt / Equity	81.3%	71.2%	42.5%	35.0%

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 Rs.'000s		**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
FINANCIAL ASSETS									
Non-listed equity investments		-	-	280	280	133,469	147,346	133,749	147,626
Listed equity investments		4,503,190	4,050,765	341	86	-	-	4,503,531	4,050,851
Quoted debt instruments		7,787,418	7,751,585	222,988	289,214	-	-	8,010,406	8,040,799
Unquoted debt instruments		-	-	87,345	21,119	-	-	87,345	21,119
Interest rate swap		-	-	2,928,815	729,316	-	-	2,928,815	729,316
Total		12,290,608	11,802,350	3,239,769	1,040,015	133,469	147,346	15,663,846	12,989,711
NON FINANCIAL ASSETS									
Assets measured at fair value	**Note**								
Land and buildings	22.1	-	-	-	-	63,957,286	60,549,380	63,957,286	60,549,380
Buildings on leasehold land	22.1	-	-	-	-	37,368,368	30,092,912	37,368,368	30,092,912
Investment property	24	-	-	-	-	30,607,550	14,867,586	30,607,550	14,867,586
Total		-	-	-	-	131,933,204	105,509,878	131,933,204	109,509,878

12. Fair value measurement and related fair value disclosures (Contd.)
12.1 Fair value measurement hierarchy - Group (Contd.)

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 2022.

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.

12.2 Fair value measurement hierarchy - Company

FINANCIAL ASSETS	Level 2		Level 3	
As at 31 March In Rs.'000s	2022	2021	2022	2021
Non-listed equity investments	-	-	87,563	92,346
Interest rate swap	2,928,815	729,316	-	-
	2,928,815	729,316	87,563	92,346

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 Rs.'000s	GROUP	COMPANY
	Fair Value through other comprehensive income	
As at 1 April 2021	147,346	92,346
Purchase of equity shares	2,268	2,140
Remeasurement recognised in OCI	(16,145)	(6,923)
As at 31 March 2022	133,469	87,563

Fair valuation done as at 31 March 2022 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 17.

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.

13. Financial instruments and related policies (Contd.)

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

Based on the nature of the sector and the company, the Group is using appropriate and company specific LGD's and PD's when calculating the expected credit loss.

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.

13.1 Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

	Financial assets at amortised cost		Financial assets at fair value through OCI	
As at 31 March In Rs.'000s	2022	2021	2022	2021
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets/liabilities	43,524,568	54,880,163	5,085,311	7,577,462
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / payables	27,495,348	17,456,698	-	-
Amounts due from / due to related parties	196,394	123,553	-	-
Short term investments / Short term borrowings	104,099,055	61,232,588	1,866,971	321,874
Cash in hand and at bank	52,376,531	19,432,579	-	-
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Other current financial liabilities	-	-	-	-
Bank overdrafts	-	-	-	-
Total	227,691,896	153,125,581	6,952,282	7,899,336

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.

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.

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		Total		Financial liabilities measured at amortised cost/fair value	
2022	2021	2022	2021	2022	2021
80,610	132,178	48,690,489	62,589,803	2,413,880	3,660,952
-	-	-	-	158,921,898	118,965,640
-	-	-	-	30,066,952	24,234,968
-	-	27,495,348	17,456,698	43,469,407	35,287,700
-	-	196,394	123,553	1,818	1,385
4,755,518	7,708,299	110,721,544	69,262,761	14,833,056	6,903,737
-	-	52,376,531	19,432,579	-	-
-	-	-	-	40,624,448	9,507,473
-	-	-	-	3,459,496	1,472,297
-	-	-	-	-	2,991,093
-	-	-	-	20,321,777	11,820,179
4,836,128	7,840,477	239,480,306	168,865,394	314,112,732	214,845,424

Notes to the Financial Statements

13. Financial instruments and related policies (Contd.)

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

As at 31 March In Rs.'000s	Financial assets at amortised cost		Financial assets at fair value through OCI	
	2022	2021	2022	2021
Financial instruments in non-current assets/non-current liabilities				
Non-current financial assets	2,995,474	17,518,775	87,563	92,346
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables / payables	103,914	114,780	-	-
Amounts due from / due to related parties	660,699	1,465,816	-	-
Short term investments / short term borrowings	83,972,660	51,591,037	-	-
Cash in hand and at bank	27,362,010	305,373	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	115,094,757	70,995,781	87,563	92,346

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 Rs.'000s		Contract notional amount In USD '000s		Fair value In Rs.'000s	
As at 31 March Cash-flow hedges	2022	2021	2022	2021	2022	2021	2022	2021
Interest rate swap - Derivative Liability	-	129,500	-	413,466	-	-	-	-
Interest rate swap - Derivative Asset	100,000	100,000	2,928,815	729,316	100,000	100,000	2,928,815	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.

Total		Financial liabilities measured at amortised	
2022	2021	2022	2021
3,083,037	17,611,121	-	-
-	-	64,634,033	44,179,490
103,914	114,780	566,252	372,711
660,699	1,465,816	20,912	13,181
83,972,660	51,591,037	2,000,000	-
27,362,010	305,373	-	-
-	-	2,562,994	3,007,368
-	-	2,939,311	9,783
115,182,320	71,088,127	72,723,502	47,582,533

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 Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Timing of revenue recognition					
Goods transferred at a point in time		179,095,601	105,427,158	-	-
Services transferred over time		23,753,574	9,027,325	1,875,722	1,637,063
Total revenue from contracts with customers	14.1.1	202,849,175	114,454,483	1,875,722	1,637,063
Revenue from insurance contracts	14.1.2	15,225,571	13,221,167	-	-
Total revenue		218,074,746	127,675,650	1,875,722	1,637,063

For the better understanding of the Industry segment revenue, please refer Note 8.3 - 8.5 Business Segment analysis - Disaggregation of revenue.

Notes to the Financial Statements

14. Revenue (Contd.)

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.

		Contract balances		Performance obligations satisfied	
As at / for the year ended 31 March In Rs.'000s	Note	2022	2021	2022	2021
Contract assets		-	-	1,297	2,032
Contract liabilities					
Other non current liabilities	40	73,760	19,386,170	20,919,960	1,144,265
Trade and other payables	41	123,166	112,665	341,266	219,701
Other current liabilities	43	2,093,394	758,085	3,355	2,581
		2,290,320	20,256,920	21,264,581	1,366,547

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 commercial office spaces,selling condomoniums 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 2022.

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 Rs.'000s	COMPANY 2022	 2021
Dividend income from investments in subsidiaries and equity accounted investees	8,007,649	8,346,260

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

For the year ended 31 March In Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
Promotional income and commission fee	1,432,800	1,373,842	-	-
Exchange gains	-	267,100	-	-
Profit on sale of property, plant and equipment	62,198	-	2,532	-
Write back of dealer deposits	11,163	17,761	-	-
Sundry income	1,108,632	967,841	48,812	40,610
	2,614,793	2,626,544	51,344	40,610

Notes to the Financial Statements

16. Other operating income and other operating expenses (Contd.)

16.2 Other operating expenses

For the year ended 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Provision for impairment	4,886,733	69,660	506,246	-
Loss on sale of property, plan and equipment	-	6,005	-	-
Heat, light and power	800,684	472,037	-	-
Exchange loss	5,738,298	-	-	-
Other overheads	1,030,293	766,707	8,232	21,473
	12,456,008	1,314,409	514,478	21,473

The Group has recognised Rs.4.7 Bn impairment as the value in use of South Asia Gateway Terminals (Pvt) Ltd was lower than the carrying value of the investment.

The Company has recognized Rs.506 Mn impairment for Saffron Aviation (Pvt) Ltd as the value in use of the investment is lower than its carrying value.

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.

For the year ended 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Net finance income				
Finance income				
Interest income	11,754,077	8,616,055	5,570,988	2,964,036
Dividend income on				
Financial assets at fair value through profit or loss	147,739	136,895	-	-
Financial assets at fair value through other comprehensive income	5,143	17,214	-	11,385
Realised gains on financial assets at fair value through profit or loss	361,571	-	-	-
Unrealised gains on financial assets at fair value through profit or loss	-	351,012	-	-
Investment related direct expenses	(89,645)	(74,362)	-	-
Exchange gains	18,627,294	1,641,908	18,627,294	1,641,908
Total finance income	30,806,179	10,688,722	24,198,282	4,617,329

For the year ended 31 March In Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Finance cost				
Interest expense on borrowings	(5,199,990)	(2,891,345)	(2,966,139)	(1,244,941)
Finance charge on lease liabilities	(1,511,437)	(1,503,908)	-	-
Realised loss on financial assets at fair value through profit or loss	-	(273,953)	-	-
Unrealised loss on financial assets at fair value through profit or loss	(323,330)	-	-	-
Total finance cost	(7,034,757)	(4,669,206)	(2,966,139)	(1,244,941)
Net finance income	23,771,422	6,019,516	21,232,143	3,372,388

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.

For the year ended 31 March In Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	391,034	346,453	106,238	103,808
Remuneration to non executive directors	45,795	34,749	15,960	11,460
Costs of defined employee benefits				
Defined benefit plan cost	400,450	438,382	22,766	21,709
Defined contribution plan cost - EPF and ETF	1,182,147	1,068,968	72,880	56,332
Other long term employee benefits cost	183,704	213,027	42,891	44,043
Staff expenses	15,568,605	13,621,362	587,596	476,165
Share based payments	204,618	225,007	61,117	66,035
Auditors' remuneration				
Audit	52,604	49,352	7,048	6,712
Non-audit	10,733	6,202	4,565	1,018
Depreciation of property, plant and equipment	5,014,204	4,725,534	38,590	42,629
Amortisation of intangible assets	703,906	641,563	33,324	30,631
Amortisation of right of use assets	2,841,789	2,619,179	-	-
Provision for impairment	4,886,733	69,660	506,246	-
(Gain) / Loss on sale of property, plant and equipment and intangible assets	(62,198)	6,005	(2,532)	-
Donations	8,511	7,074	3,386	5,000

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.

Notes to the Financial Statements

19.1 Basic earnings per share

For the year ended 31 March	Note	GROUP 2022	2021
Profit attributable to equity holders of the parent		20,212,968	4,772,100
Weighted average number of ordinary shares	19.3	1,336,027	1,318,805
Basic earnings per share		15.13	3.62

19.2 Diluted earnings per share

Profit attributable to equity holders of the parent		20,212,968	4,772,100
Adjusted weighted average number of ordinary shares	19.3	1,336,427	1,318,805
Diluted earnings per share		15.12	3.62

19.3 Amount used as denominator

For the year ended 31 March Number of shares In '000s	GROUP 2022	2021
Ordinary shares at the beginning of the year	1,319,664	1,318,551
Effect of share options exercised	103	254
Private placement of ordinary shares	16,260	-
Weighted average number of ordinary shares in issue before dilution	1,336,027	1,318,805
Effects of dilution from:		
Share option scheme	400	-
Adjusted weighted average number of ordinary shares	1,336,427	1,318,805

20. Dividend per share

For the year ended 31 March	COMPANY 2022		2021	
	Rs	In Rs.'000s	Rs	In Rs.'000s
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	0.50	659,869	-	-
Interim dividends	1.00	1,352,323	1.50	1,978,317
Total dividend	1.50	2,012,192	1.50	1,978,317

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.

IFRIC interpretation 23 uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

21. Taxes (Contd.)

21.1 Tax expense

For the year ended 31 March In Rs.'000s		GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Income statement					
Current tax charge	21.5	3,252,722	2,169,340	1,060,725	801,201
(Over)/Under provision of current tax of previous years		(45,384)	(46,189)	-	-
Irrecoverable economic service charge	21.7	245,821	163,682	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	3,428,427	(792,558)	2,841,984	-
	21.6	6,881,586	1,494,275	3,902,709	801,201
Other comprehensive income					
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	806,930	135,306	-	-
		806,930	135,306	-	-

21.2 Deferred tax expense

For the year ended 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	330,241	31,487	2,027	-
Revaluation of investment property to fair value	580,930	(212,179)	-	-
Retirement benefit obligations	(106,150)	71,433	(74,337)	-
Benefit arising from tax losses	(578,916)	(626,830)	(295,313)	-
Unrealised capital gains/others	3,202,322	(56,469)	3,209,607	-
Deferred tax charged/(reversal) directly to Income Statement	3,428,427	(792,558)	2,841,984	-
Other comprehensive income				
Deferred tax expense arising from;				
Actuarial losses on defined benefit obligations	7,723	(19,781)	-	-
Revaluation of land and building to fair value	799,207	155,087	-	-
Deferred tax charged/(reversal) directly to OCI	806,930	135,306	-	-

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to Rs.2,846 Mn (2021 - Rs.2,880 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.

Surcharge tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs.2,000 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 per cent on the taxable income of the individual Group companies, net of dividends from subsidiaries.

As the Act was certified by the Speaker of Parliament after the financial reporting date, no liability has been recognized in FY 2021/2022 on account of the one-off Surcharge Tax as the law had not been enacted as at 31 March 2022.

The total Surcharge Tax liability of Rs.1,648 Mn and Rs.525 Mn will be recognized in the financial statements of FY 2022/2023 for the Group and the Company, respectively, as an adjustment to the 1 April 2021 retained earnings in the statement of Changes in Equity as per the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

On 20 April 2022, the Group and the Company paid Rs.824 Mn and Rs.263 Mn respectively, on account of the first instalment of the Surcharge Tax liability with the balance payable on 20 July 2022.

21.3 Income tax liabilities

	GROUP		COMPANY	
As at 31 March **In Rs.'000s**	**2022**	**2021**	**2022**	**2021**
At the beginning of the year	1,988,170	1,747,597	717,029	389,510
Charge for the year	3,150,020	1,880,815	1,056,425	801,201
Payments and set off against refunds	(2,519,636)	(1,640,242)	(892,485)	(473,682)
At the end of the year	2,618,554	1,988,170	880,969	717,029

21.4 Deferred tax

	GROUP				COMPANY	
	ASSETS		LIABILITIES		LIABILITIES	
As at 31 March **In Rs.'000s**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
At the beginning of the year	1,089,027	902,382	7,720,111	8,294,955	-	-
Charge and release	65,373	136,159	4,294,991	(574,844)	2,841,984	-
Transfers / exchange differences	400,038	50,486	1,302	-	-	-
At the end of the year	1,554,438	1,089,027	12,016,404	7,720,111	2,841,984	-
The closing deferred tax asset and liability balances relate to the following;						
Revaluation of land and building to fair value	(69,843)	(24,215)	5,020,124	4,684,580	-	-
Revaluation of investment property to fair value	(3,670)	8,735	1,386,639	876,082	-	-
Accelerated depreciation for tax purposes	118,501	172,231	2,876,236	2,625,177	2,027	-
Employee benefit liability	83,723	35,783	(650,536)	(553,452)	(74,337)	-
Losses available for offset against future taxable income	1,371,347	971,047	(670,011)	(313,715)	(295,313)	-
Net gain/loss on fair value through OCI	-	(35,956)	-	-	-	-
Unrealised capital gains/others	54,380	(38,598)	4,053,952	401,439	3,209,607	-
	1,554,438	1,089,027	12,016,404	7,720,111	2,841,984	-

A deferred tax liability for the Group amounting to Rs.955 Mn (2021 – Rs.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 contingent tax liability amounting to Rs.1,588 Mn (2021 - Rs.1,999Mn). 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 Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Profit before tax	27,324,493	5,445,166	28,284,116	11,367,088
Dividend income from Group companies	9,137,197	9,342,572	-	-
Share of results of equity accounted investees (net of tax)	(1,898,298)	(4,158,793)	-	-
Other consolidation adjustments	(846,612)	7,965	-	-
Profit after adjustments	33,716,780	10,636,910	28,284,116	11,367,088
Exempt profits	(6,286,616)	(2,385,008)	(5,498,173)	(2,887,711)
Income not liable for income tax	(18,757,988)	(1,573,563)	(18,590,437)	(1,568,812)
Resident dividend	(675,773)	(4,430,382)	(675,773)	(1,711,746)
Adjusted accounting profit chargeable to income taxes	7,996,403	2,247,957	3,519,732	5,198,819
Disallowable expenses	13,928,603	12,349,659	3,019,903	1,215,376
Allowable expenses	(16,234,485)	(11,977,525)	(515,449)	(252,858)
Utilisation of tax losses	(3,500,880)	(2,657,979)	-	-
Current year tax losses not utilised	2,268,887	7,379,636	-	-
Tax effect on investment income	2,209,342	-	2,209,341	-
Qualifying payment deductions	(1,931)	(909)	(1,330)	(15,852)
Taxable income	6,665,939	7,340,839	8,232,198	6,145,485
Income tax charged at:				
Standard rate	1,475,821	603,116	220,934	801,201
Other concessionary rates	1,776,901	1,566,224	839,791	-
Current tax charge	3,252,722	2,169,340	1,060,725	801,201

21.6 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March In Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Adjusted accounting profit chargeable to income taxes	7,996,403	2,247,957	3,519,732	5,198,819
Tax effect on chargeable profits	3,300,879	1,329,595	492,762	727,834
Tax effect on non deductible expenses	224,480	299,187	77,067	41,831
Tax effect on deductions claimed	(528,582)	(408,463)	(65,635)	(2,219)
Net tax effect of unrecognised deferred tax assets for the year	2,866,687	(144,843)	3,177,581	33,755
Net tax effect of unrecognised deferred tax assets for prior years	-	13,106	-	-
Under/(over) provision for previous years	(45,384)	(46,189)		-
Deferred tax due to carried forward tax losses	117,460	545,981	-	-
Deferred tax due to rate differentials	(16,087)	(257,781)	-	-
Other income based taxes:			-	
Irrecoverable economic service charge	245,821	163,682	-	-
Tax effect on investment income	220,934	-	220,934	-
Deferred tax on affiliated companies dividend reserve	495,378	-	-	-
Tax expense	6,881,586	1,494,275	3,902,709	801,201

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 Rs.'000s	GROUP 2022	 2021
Irrecoverable Economic Service Charge (ESC)	245,821	163,682
	245,821	163,682

21.8 Tax losses carried forward

For the year ended 31 March In Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
Tax losses brought forward	11,302,534	6,643,853	1,230,471	1,230,471
Adjustments on finalisation of liability	189,281	(113,857)	-	-
Tax losses arising during the year	6,486,569	7,430,517	-	-
Utilisation of tax losses	(1,820,782)	(2,657,979)	-	-
	16,157,602	11,302,534	1,230,471	1,230,471

The Group has tax losses amounting to Rs.16,158 Mn (2021 - Rs.11,303 Mn) 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 and BOI			
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	Exporting 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 -
Mackinnons Mackenzie shipping (Pvt) Ltd	Shipping agent	- do -	- do -
Consumer Foods sector	Manufacturing	18%	Open ended

21. Taxes (Contd.)

21.9 Applicable rates of income tax (Contd.)

Company / Sector	Basis	Exemptions or concessions	Period
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
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%
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.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

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.

Notes to the Financial Statements

22. Property , plant and equipment (Contd.)

22.1 Property , plant and equipment - Group

As at 31 March In Rs.'000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
Cost or valuation				
At the beginning of the year	61,679,494	34,751,101	16,465,090	15,638,676
Additions	185,307	991,193	829,343	1,318,029
Disposals	(279,000)	(44,020)	(101,175)	(314,617)
Revaluations	3,910,209	716,150	-	-
Transfers (from revaluation adjustment)	(224,080)	(444,449)	-	-
Impairment/ Derecognition	-	-	(41,509)	-
Transfers	(117,770)	2,264,216	858,887	491,686
Exchange differences	-	6,599,679	540,207	1,331,423
At the end of the year	65,154,160	44,833,870	18,550,843	18,465,197
Accumulated depreciation and impairment				
At the beginning of the year	(1,130,114)	(4,658,189)	(7,241,840)	(8,401,410)
Charge for the year	(295,997)	(1,387,649)	(1,171,769)	(1,471,530)
Disposals	-	35,886	95,543	265,395
Transfers (from revaluation adjustment)	224,080	444,449	-	-
Impairment	-	-	10,430	-
Transfers	5,157	-	7,282	5,023
Exchange differences	-	(1,899,999)	(232,429)	(724,395)
At the end of the year	(1,196,874)	(7,465,502)	(8,532,783)	(10,326,917)
Carrying value				
As at 31 March 2022	63,957,286	37,368,368	10,018,060	8,138,280
As at 31 March 2021	60,549,380	30,092,912	9,223,250	7,237,266

22.2 Property , plant and equipment - Company

As at 31 March In Rs.'000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2022	Total 2021
Cost					
At the beginning of the year	3,454	293,159	50,162	346,775	353,755
Additions	-	14,160	-	14,160	9,077
Disposals	-	(23,271)	-	(23,271)	(16,057)
At the end of the year	3,454	284,048	50,162	337,664	346,775
Accumulated depreciation and impairment					
At the beginning of the year	(3,184)	(205,795)	(26,995)	(235,974)	(209,402)
Charge for the year	(13)	(30,633)	(7,944)	(38,590)	(42,629)
Disposals	-	20,133	-	20,133	16,057
At the end of the year	(3,197)	(216,295)	(34,939)	(254,431)	(235,974)
Carrying value					
As at 31 March 2022	257	67,753	15,223	83,233	
As at 31 March 2021	270	87,364	23,167		110,801

Motor vehicles Freehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2022	Total 2021
776,877	935,113	6,251,598	1,066,489	2,489,177	140,053,614	134,741,640
11,181	74,199	547,268	94,126	2,576,130	6,626,776	5,367,019
(18,957)	(13,289)	(156,895)	(1,896)	(14,138)	(943,987)	(611,082)
-	-	-	-	-	4,626,359	477,030
-	-	-	-	-	(668,529)	(656,900)
-	-	(787)	-	-	(42,296)	(69,660)
1,248	-	101,394	-	(3,854,676)	(255,015)	(18,741)
78,238	-	75,898	-	-	8,625,445	824,308
848,587	996,023	6,818,476	1,158,719	1,196,493	158,022,367	140,053,614
(480,080)	(689,977)	(3,956,336)	(419,026)	-	(26,976,972)	(23,207,882)
(62,692)	(69,805)	(431,511)	(123,251)	-	(5,014,204)	(4,725,534)
17,610	12,892	143,770	1,849	-	572,945	499,438
-	-	-	-	-	668,529	656,900
-	-	469	-	-	10,899	-
-	-	1,249	-	-	18,711	490
(48,154)	-	(49,694)	-	-	(2,954,671)	(200,384)
(573,316)	(746,890)	(4,292,053)	(540,428)	-	(33,674,763)	(26,976,972)
275,271	249,133	2,526,423	618,291	1,196,493	124,347,604	
296,797	245,136	2,295,262	647,463	2,489,177		113,076,642

During the year 2021/2022 there was no depreciation capitalized as a part of the cost of other assets.

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 2021.

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.

Notes to the Financial Statements

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	Rs.17,000,000 - Rs.19,500,000	Rs.2,000 - Rs.13,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd	-do-	OMV	Rs.900,000 - Rs.1,100,000	Rs.3,000 - Rs.10,500	-	Positive
Ceylon Cold Stores PLC	-do-	OMV	Rs.200,000 - Rs.225,000	Rs.1000 - Rs.2,000	-	Positive
Kandy Walk Inn Ltd	S Fernando	OMV	Rs.10,000 - Rs.1,260,000	Rs.1,100 - Rs.8,800	-	Positive
Keells Food Products PLC	P B Kalugalagedara	DCC	Rs.65,000 - Rs.600,000	Rs.400 - Rs.3,150	-	Positive
Keells Realtors Ltd	-do-	DCC	Rs.1,600,000 - Rs.2,500,000	Rs.500 - Rs.1,500	-	Positive
Mackinnons Keells Ltd	-do-	DCC	Rs.10,000,000	Rs1,500	-	Positive
Tea Smallholder Factories PLC	K.T.D. Tissera	DCC	Rs.5,000 - Rs.21,875	Rs.500 - Rs.2,000	-	Positive
Trinco Holiday Resort (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.400,000	Rs.1,000-Rs.7,250	-	Positive
Union Assurance PLC	-do-	DCC	Rs.8,250,000 - Rs.19,500,000	Rs.500 - Rs.6,000	-	Positive
Vauxhall Land Developments (Pvt) Ltd	-do-	OMV	Rs.17,000,000	-	-	Positive
Buildings on leasehold land						
Ceylon Holiday Resorts Ltd	P B Kalugalagedara	DCC	-	Rs.8,000 - Rs.15,000	-	Positive
Keells Food Products PLC	-do-	OMV	-	Rs.150 - Rs.1,500	-	Positive
Habarana Lodge Ltd	S Fernando	DCC	-	Rs.575 - Rs.9,200	-	Positive
Habarana Walk Inn Ltd	-do-	DCC	-	Rs.1,150 - Rs.6,900	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd	P B Kalugalagedara	DCC	-	Rs.1,600 - Rs.7,500	-	Positive
Jaykay Marketing Service (Pvt)Ltd	-do-	IM	-	-	6%	Positive
John Keells Warehousing (Pvt) Ltd	K T D Tissera	IM	-	Rs.2,000 - Rs.3,000	-	Positive
Rajawella Holdings Ltd	P B Kalugalagedara	DCC	-	Rs.1,900 - Rs.9,000	-	Positive
Trans Asia Hotels PLC	-do-	DCC	-	Rs.400 - Rs.7,500	-	Positive
Yala Village (Pvt) Ltd	P B Kalugalagedara	DCC	-	Rs.2,450 - Rs.7,500	-	Positive

Effective date of valuation was 31 December 2021.

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 Rs.'000s**	**2022**	**2021**
Cost	41,209,451	40,027,371
Accumulated depreciation and impairment	(3,823,188)	(3,732,917)
Carrying value	37,386,263	36,294,454

Group land and buildings with a carrying value of Rs.4,098 Mn (2021- 3,878 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 Rs.9,100 Mn (2021- Rs.7,628 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets continued to be in used by the Company Rs.650 Mn (2021- Rs.605 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2022 was Rs.122 Mn (2021- Rs.32 Mn) by the Group.

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.

The Group has applied COVID-19 related rent concessions which has been extended up to June 2022.

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.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

Notes to the Financial Statements

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 2022.

23.1.1 Right of use assets

			GROUP	
In Rs.'000s	Lease hold properties	Motor Vehicles	Total 2022	Total 2021
At the beginning of the year	40,567,715	49,135	40,616,850	37,170,270
Additions	1,974,156	-	1,974,156	4,588,149
Disposals	(140,905)	-	(140,905)	(5,827)
Amortisation expense	(2,808,018)	(33,771)	(2,841,789)	(2,619,179)
Exchange differences	13,873,262	-	13,873,262	1,483,437
At the end of the year	53,466,210	15,364	53,481,574	40,616,850

23.1.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March 2022.

	GROUP	
In Rs.'000s	2022	2021
At the beginning of the year	25,707,265	21,292,786
Additions	1,927,327	4,584,504
Transfers	(98,571)	(122,000)
Interest expense	1,511,437	1,503,908
Disposals	(140,905)	(3,203)
Payments	(3,140,184)	(2,383,375)
Exchange differences	7,760,079	834,645
At the end of the year	33,526,448	25,707,265
Current	3,459,496	1,472,297
Non-current	30,066,952	24,234,968
Total lease liabilities as at 31 March	33,526,448	25,707,265
Following are the amounts recognised in income statement for the year ended 31 March		
Amortisation of right-of-use assets	2,841,789	2,619,179
Interest expense on lease liabilities	1,511,437	1,503,908
Total amount recognised in income statement	4,353,226	4,123,087

Expenses relating to short term leases and leases of low value assets amounting to Rs.548 Mn (2021 - Rs.293 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 2021.

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 Rs.'000s	2022	2021
Carrying value		
At the beginning of the year	14,867,586	15,007,996
Additions	386,987	113,015
Transfers	22,849,369	-
Change in fair value during the year	(4,084,755)	(253,425)
Disposals	(1,137,119)	-
Exchange differences	(2,274,518)	-
At the end of the year	30,607,550	14,867,586
Freehold property	30,024,752	14,442,981
Leasehold property	582,798	424,605
	30,607,550	14,867,586

Following are the amounts recognised in income statement for the year ended 31 March

	2022	2021
Rental income earned	416,442	381,073
Direct operating expenses generating rental income	144,727	160,565
Direct operating expenses that did not generate rental income	-	-

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.

Businesses continued to respond with specific plans to enable smooth and uninterrupted functioning of businesses and operations, despite some of the immediate term challenges due to constraints on supply chains and electricity and fuel disruptions, whilst maintaining strict adherence to Government directives and health and safety considerations. The Group managed to circumvent these issues without a significant impact on output. As such, the Group has not determined impairment as at the reporting date.

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	Rs.260,000 - Rs.420,000	-	-	Positive
Asian Hotels and Properties PLC	P B Kalugalagedara	IM	-	-	6%	Negative
Ceylon Cold Stores PLC	-do-	OMV	Rs.1,650,000	Rs.1,000 - Rs.2,000	-	Positive
Facets (Pvt) Ltd	S Fernando	DCC	Rs.475,000	-	-	Positive
Glennie Properties (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.16,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd	-do-	DCC	Rs.1,300,000	Rs.4,500	-	Positive
John Keells PLC	-do-	OMV	Rs. 700,000	-	-	Positive
J K Thudella Properties (Pvt) Ltd	P P T Mohideen	OMV	Rs.300,000	-	-	Positive
Keells Realtors Ltd	P B Kalugalagedara	DCC	Rs.1,600,000 - Rs.2,500,000	Rs.500 - Rs.1,500	-	Positive
Resort Hotels Ltd	S Fernando	DCC	Rs.110,000 - Rs.260,000	-	-	Positive
Trinco Walk Inn Ltd	-do-	DCC	Rs.120,000 - Rs.340,000	-	-	Positive
Waterfront Properties (Pvt) Ltd	P B Kalugalagedara	IM	-	-	6%	Negative
Whittall Boustead (Pvt) Ltd	-do-	DCC	Rs.2,250,000	Rs.500 - Rs.1,500	-	Positive
Wirawila Walk Inn Ltd	S Fernando	DCC	Rs.23,750	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.17,000,000	-	-	Positive
Leasehold property						
Tea Smallholder Factories PLC	P B Kalugalagedara	DCC	Rs.2,600,000	Rs.1,000	-	Positive

* Summary of valuation methodologies can be found in property plant and equipment Note 22.3.

The level at which fair value measurement is categorized can be found in fair value measurement and related fair value disclosures Note 12.1.

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 - 10		
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.

Notes to the Financial Statements

25. Intangible assets (Contd.)

25.1 Intangible assets

As at 31 March In Rs.'000s	Software Developed	Software Purchased	Software Licenses	Software WIP
Cost/carrying value				
At the beginning of the year	1,937,783	990,292	1,645,367	18,967
Additions	798,969	123,491	285,310	28,332
Transfers	47,249	68,274	156,836	(47,249)
Disposal	(3,123)	-	(30,546)	-
Impairment	-	-	-	-
At the end of the year	2,780,878	1,182,057	2,056,967	50
Accumulated amortisation and impairment				
At the beginning of the year	(443,355)	(394,428)	(900,978)	-
Amortisation	(228,199)	(111,946)	(188,820)	-
Transfers	-	-	-	-
Disposal	3,123	-	266	-
At the end of the year	(668,431)	(506,374)	(1,089,532)	-
Carrying value				
As at 31 March 2022	2,112,447	675,683	967,435	50
As at 31 March 2021	1,494,428	595,864	744,389	18,967

Group Intangible assets with a cost of Rs.157 Mn (2021- Rs.151 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 Rs.'000s	GROUP Net carring value 2022	GROUP Net carring value 2021
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	166,248
Consumer Foods	299,293	299,293
Financial Services	265,360	265,360
Logistics, Ports and Shipping	-	2,641
	730,901	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.

PVIB	Goodwill	Other	GROUP 2022 Total	GROUP 2021 Total	COMPANY Software Licenses 2022 Total	COMPANY Software Licenses 2021 Total
2,249,000	738,596	1,440,738	9,020,743	6,853,883	651,641	626,030
-	-	124,075	1,360,177	2,187,300	30,165	25,611
-	-	-	225,110	18,742	-	-
-	-	(297,046)	(330,715)	(39,182)	-	-
-	(7,695)	-	(7,695)	-	-	-
2,249,000	730,901	1,267,767	10,267,620	9,020,743	681,806	651,641
(2,249,000)	-	(180,004)	(4,167,765)	(3,564,894)	(554,119)	(523,488)
-	-	(174,941)	(703,906)	(641,563)	(33,324)	(30,631)
-	-	-	-	(490)	-	-
-	-	-	3,389	39,182	-	-
(2,249,000)	-	(354,945)	(4,868,282)	(4,167,765)	(587,443)	(554,119)
-	730,901	912,822	5,399,338		94,363	
-	738,596	1,260,734		4,852,978		97,522

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.

Notes to the Financial Statements

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 Rs.'000s		COMPANY 2022	2021
Quoted	26.2	20,256,309	20,228,019
Unquoted	26.3	96,710,286	81,106,517
		116,966,595	101,334,536

26.2 Group quoted investments

As at 31 March	GROUP Number of shares	Effective holding %	COMPANY Number of shares	Effective holding %	2022 In Rs.'000s	2021 In Rs.'000s
Cost						
Asian Hotels and Properties PLC	347,824,190	78.56%	347,824,190	78.56%	5,378,525	5,381,562
Ceylon Cold Stores PLC	773,245,440	81.36%	671,558,120	70.66%	1,682,346	1,662,908
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%	488,005	485,455
Keells Food Products PLC	22,937,250	88.63%	20,364,054	79.86%	1,241,876	1,239,768
Tea Smallholder Factories PLC	11,286,000	37.62%	11,286,000	37.62%	66,809	66,809
Trans Asia Hotels PLC	184,107,284	82.74%	97,284,256	48.64%	1,617,229	1,616,425
Union Assurance PLC	53,035,715	90.00%	53,035,715	90.00%	2,679,379	2,672,952
					20,256,309	20,228,019

As at 31 March In Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Market Value				
Asian Hotels and Properties PLC	12,869,495	13,008,625	12,869,495	13,008,625
Ceylon Cold Stores PLC	30,079,248	48,074,534	26,123,611	41,754,126
John Keells Hotels PLC	13,684,302	11,111,186	13,684,302	11,111,186
John Keells PLC	3,619,183	3,698,435	3,619,183	3,698,435
Keells Food Products PLC	3,813,318	3,727,303	3,385,524	3,309,159
Tea Smallholder Factories PLC	305,851	462,726	305,851	462,726
Trans Asia Hotels PLC	8,873,971	10,291,597	4,689,101	5,438,190
Union Assurance PLC	16,083,081	16,573,661	16,083,081	16,573,661
	89,328,449	106,948,067	80,760,148	95,356,108

26.3 Group unquoted investments

As at 31 March	GROUP 2022		COMPANY 2022			2021
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In Rs.'000s	Cost In Rs.'000s
Ahungalla Holiday Resort (Pvt) Ltd	13,275,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd	219,725,653	79.78	-	-	3,586	3,586
British Overseas (Pvt) Ltd	61	61.00	61	61.00	-	-
Ceylon Holiday Resorts Ltd	18,260,784	79.60	-	-	3,887	3,850
Cinnamon Hotels Management Ltd	1,000,000	100.00	1,000,000	100.00	455,075	410,826
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	-	-	4,738	4,540
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	-	-	4,096	4,125
Habarana Walk Inn Ltd	4,321,381	79.34	-	-	2,719	2,758
Hikkaduwa Holiday Resorts (Pvt) Ltd	107,596,700	79.60	-	-	2,621	2,604
InfoMate (Pvt) Ltd	2,000,000	100.00	2,000,000	100.00	41,395	39,590
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	24,964,639	23,027,602
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	-	-	226,222	204,958
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	123,346	122,958
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	673,526	671,655
John Keells Logistics (Pvt) Ltd	19,999,998	100.00	19,999,998	100.00	229,930	228,503
John Keells Maldivian Resorts (Pte) Ltd	49,044,238	80.32	-	-	18,152	17,932
John Keells Office Automation (Pvt) Ltd	500,000	100.00	500,000	100.00	71,170	68,263
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 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	85,187	80,666
John Keells Teas Ltd	12,000	100.00	12,000	100.00	22,424	20,902
John Keells Warehousing (Pvt) Ltd	12,000,000	86.90	-	-	5,034	5,006
Kandy Walk Inn Ltd	6,165,484	79.03	-	-	4,089	4,105
Keells Consultants (Pvt) Ltd	928	100.00	928	100.00	2,066	2,032
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	1,409,828	1,403,053
Logipark International (Pvt) Ltd	60,407,698	81.36	-	-	-	-
Mack Air (Pvt) Ltd	89,260	100.00	89,260	100.00	38,149	36,981
Mack Air Services Maldives (Pte) 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	2,268	1,792
Mackinnon Keells Ltd	31,966,951	100.00	31,966,951	100.00	670,166	670,166

As at 31 March	GROUP		COMPANY			
	2022		2022			2021
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In Rs.'000s	Cost In Rs.'000s
Mackinnon Mackenzie and Company (Shipping) Ltd	139,092	100.00	139,092	100.00	65,850	65,848
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	31,150	30,583
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	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	169,999,999	81.36	169,999,999	81.36	1,155	819
Tranquility (Pte) Ltd	637,499	80.32	-	-	5,702	5,616
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	-	-	3,690	3,667
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	3,623	3,590
Trinco Walk Inn Ltd	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd	2,171,655,391	100.00	-	-	-	-
Walkers Tours Ltd	3,737,634	98.51	3,737,634	98.05	195,291	191,018
Waterfront Properties (Pvt) Ltd	7,140,071,956	98.59	5,053,995,419	87.37	64,169,906	50,612,655
Whittall Boustead (Pvt) Ltd	5,341,105	100.00	5,341,105	100.00	1,668,721	1,655,358
Whittall Boustead (Travel) Ltd	22,452,271	100.00	22,452,271	100.00	278,289	276,325
Wirawila Walk Inn Ltd	1,706,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd	28,268,000	75.33	-	-	2,752	2,740
Yala Village (Pvt) Ltd- Non voting preference shares	10,000,000	80.32	-	-	-	-
					96,710,286	81,106,517

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
- Colombo West International Terminal (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
- Inchcape Mackinnon Mackenzie Shipping (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 %	2022 In Rs. '000s	2021 In Rs. '000s	Number of shares	Effective Holding %	2022 In Rs. '000s	2021 In Rs. '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
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd	164,520	60.00	16,452	-	164,520	60.00	16,452	-
Sentinel Reality (Pvt) Ltd	6,863,673	40.16	64,949	64,199	-	-	-	-
27.2 Investments in associates								
Quoted								
Nations Trust Bank PLC- Voting shares	76,788,257	29.49	1,954,510	1,699,620	51,363,384	19.72	1,367,480	1,198,265
Nations Trust Bank PLC- Non voting shares	21,386,596	52.10	1,827,923	1,759,237	16,964,690	41.33	1,339,871	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
Colombo West International Terminal (Pvt) Ltd	28,559,696	34.00	2,855,970	-	28,559,696	34.00	2,855,969	-
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	670,742	-	-	-	-
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	-	506,247	432,747	135,530,835	-	-	432,747
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			6,194,213	8,207,432			-	-
Share of net assets of equity accounted investees			9,349,460	5,370,869			-	-
			33,865,556	28,629,936			13,261,772	10,596,880

The Company has recognized Rs.506 Mn impairment for Saffron Aviation (Pvt) Ltd as the value in use of the investment is lower than its carrying value.

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 2022, the Group has an economic interest of 32.57 per cent in NTB. The Group, requested for an extension by letter dated 15 November 2021, and a response is awaited.

As at 31 March In Rs.'000s	GROUP 2022	2021	COMPANY 2022	2021
Market Value				
Quoted shares of Nations Trust Bank PLC				
Voting shares	3,463,150	3,997,077	2,316,489	2,673,593
Non voting shares	1,284,907	1,216,338	1,019,239	964,848
	4,748,057	5,213,415	3,335,728	3,638,441

27.3 Summarised financial information of equity accounted investees

As at/year ended 31 March In Rs.'000s	South Asia Gateway Terminals (Pvt) Ltd 2022	2021	Other associates 2022	2021	Joint ventures 2022	2021	Total 2022	2021
Group share of;								
Revenue	8,103,449	6,639,452	9,544,444	7,777,167	8,633,085	3,353,506	26,280,978	17,770,125
Operating expenses including cost of sales	(4,360,150)	(4,171,084)	(6,530,011)	(4,925,057)	(7,194,726)	(2,993,364)	(18,084,887)	(12,089,505)
Net finance income	151,165	137,887	(45,422)	2,304	(107,069)	(71,809)	(1,326)	68,382
Tax expense	(491,854)	(420,612)	(579,322)	(1,098,006)	(377,650)	(71,591)	(1,448,826)	(1,590,209)
Share of results of equity accounted investees	3,402,610	2,185,643	2,389,689	1,756,408	953,640	216,742	6,745,939	4,158,793
Other comprehensive income	4,448,407	381,701	(466,783)	(121,007)	(3,033)	2,525	3,978,591	263,219
Total Comprehensive Income	7,851,017	2,567,344	1,922,906	1,635,401	950,607	219,267	10,724,530	4,422,012
Group share of;								
Total assets	16,226,919	10,429,627	169,020,223	123,638,695	12,522,508	6,912,727	197,769,650	140,981,049
Total liabilities	(5,230,466)	(3,921,435)	(149,888,167)	(108,995,412)	(8,964,620)	(4,287,703)	(164,083,253)	(117,204,550)
Net assets	10,996,453	6,508,192	19,132,056	14,643,283	3,557,888	2,625,024	33,686,397	23,776,499
Goodwill	-	4,674,278	165,899	165,899	13,260	13,260	179,159	4,853,437
	10,996,453	11,182,470	19,297,955	14,809,182	3,571,148	2,638,284	33,865,556	28,629,936
Capital commitments	-	-	-	142,202	4,019,277	5,776,691	4,019,277	5,918,893
Other commitments and Guarantees	-	-	78,043,531	54,475,196	-	-	78,043,531	54,475,196
Dividend received	3,362,755	3,991,513	448,760	351,138	100,000	100,000	3,911,515	4,442,651

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.

The Group performed its annual impairment test for the goodwill acquired through business combinations of equity accounted investees. The Group has recognised Rs.4.7 Bn impairment as the value in use of South Asia Gateway Terminals (Pvt) Ltd was lower than the carrying value of the investment. The value in use is determined based on the dividend growth model.

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

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.

Net 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 at 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.

Surcharge Tax on taxable profit of equity accounted investees

South Asia Gateway Terminals (Pvt) Ltd (SAGT) and Nations Trust Bank PLC (NTB) are liable to pay Surcharge Tax on the respective individual entity level. Total Surcharge Tax liability of Rs.1,565 Mn and Rs.1,889 Mn will be recognised as an adjustment to opening retained earnings in the next year's financial statements of SAGT and NTB respectively. On 20 April 2022, SAGT and NTB paid Rs.782.5 Mn and Rs.944.5 Mn respectively on account of the first instalment of the Surcharge Tax liability with the balance payable on 20 July 2022.

Notes to the Financial Statements

28. Non current financial assets

As at 31 March In Rs.'000s		GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Other quoted equity investments		341	87	-	-
Other unquoted equity investments	28.1	133,408	147,665	87,563	92,346
Other non equity investments	28.2	48,556,740	62,442,051	2,995,474	17,518,775
		48,690,489	62,589,803	3,083,037	17,611,121

28.1 Other unquoted equity investments

As at 31 March In Rs.'000s	GROUP Number of shares	GROUP 2022	GROUP 2021	COMPANY Number of shares	COMPANY 2022	COMPANY 2021
Asia Power (Pvt) Ltd	388,527	68,923	75,846	388,527	68,923	75,846
Other equity instruments	-	64,485	71,819	-	18,640	16,500
		133,408	147,665		87,563	92,346

28.2 Other non equity investments

As at 31 March In Rs.'000s		GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Bank deposits		333,707	18,503,408	-	16,729,867
Debentures		9,553,315	9,955,243	-	-
Preference shares		373,701	351,430	-	-
Government securities		31,752,878	29,703,638	-	-
Deposits with non bank institutions		298,784	367,613	-	-
Loans to executives	28.3	1,048,842	990,562	66,659	59,592
Loans to life policyholders	28.4	1,952,394	1,840,841	-	-
Cash flow hedge		2,928,815	729,316	2,928,815	729,316
Asset backed securities		314,304	-	-	-
		48,556,740	62,442,051	2,995,474	17,518,775

28.3 Loans to executives

As at 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
At the beginning of the year	1,332,400	1,296,464	78,998	90,178
Loans granted / transfers	718,516	516,846	34,305	21,057
Recoveries	(675,392)	(480,910)	(23,566)	(32,237)
At the end of the year	1,375,524	1,332,400	89,737	78,998
Receivable within one year	326,682	341,838	23,078	19,406
Receivable between one and five years	1,048,842	990,562	66,659	59,592
	1,375,524	1,332,400	89,737	78,998

28.4 Loans to life policyholders

As at 31 March In Rs.'000s	GROUP 2022	2021
At the beginning of the year	1,840,841	1,627,555
Loans granted / transfers	878,410	885,798
Recoveries	(766,857)	(672,512)
At the end of the year	1,952,394	1,840,841

29. Other non current assets

As at 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Pre paid cost		282,339	341,600	119,755	92,668
Work-in-progress - Waterfront project	29.1	179,669,639	103,260,711	-	-
Non current advances		968,001	977,904	-	-
		180,919,979	104,580,215	119,755	92,668

29.1 Work-in-progress - Waterfront project

As at 31 March In Rs.'000s	GROUP 2022	2021
Freehold property*	19,345,604	12,703,071
Leasehold property*	7,584,983	5,106,604
Other constructions in progress	152,739,052	82,275,284
Contractor advances	-	3,175,752
	179,669,639	103,260,711

* 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 oth er 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.

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

During the year ended 31 March 2022, Rs.57 Mn (2021 - Rs.100 Mn) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales and other operating expenses.

As at 31 March In Rs.'000s	GROUP 2022	2021
Inventories		
Raw materials	1,353,492	628,872
Finished goods	12,581,519	7,391,309
Produce stocks	241,284	253,605
Other stocks	3,028,486	2,168,124
Apartments and commercial space	19,020,106	43,854,213
	36,224,887	54,296,123

Notes to the Financial Statements

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, Rs.680 Mn (2021 - Rs.1,314 Mn) was recognised as a provision for expected credit losses on trade receivables.

		GROUP		COMPANY	
As at 31 March **In Rs.'000s**	**Note**	**2022**	**2021**	**2022**	**2021**
Trade and other receivables		25,550,066	16,192,825	80,836	95,374
Reinsurance receivables		1,135,652	589,306	-	-
Premiums receivable		482,948	332,729	-	-
Loans to executives	28.3	326,682	341,838	23,078	19,406
		27,495,348	17,456,698	103,914	114,780

32. Other current assets

	GROUP		COMPANY	
As at 31 March **In Rs.'000s**	**2022**	**2021**	**2022**	**2021**
Prepayments and non cash receivables	9,539,625	3,293,460	802,463	156,760
Tax refunds	2,374,836	2,625,993	14,141	14,141
	11,914,461	5,919,453	816,604	170,901

33. Short term investments

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

		GROUP		COMPANY	
As at 31 March **In Rs.'000s**	**Note**	**2022**	**2021**	**2022**	**2021**
Quoted equities at market value	33.1	2,626,213	3,471,266	-	-
More than 3 months and less than 1 year					
Debentures		1,454,315	1,236,380	-	-
Bank deposits		3,201,549	35,678,228	510,067	34,553,213
Government securities		930,118	3,421,136	-	2,418,252
		8,212,195	43,807,010	510,067	36,971,465
Less than 3 months					
Debentures		-	53,945	-	-
Bank deposits		92,735,338	18,367,744	83,462,593	13,698,244
Government securities		9,774,011	7,034,062	-	921,328
Reported in statement of cash flows		102,509,349	25,455,751	83,462,593	14,619,572
		110,721,544	69,262,761	83,972,660	51,591,037

33.1 Quoted equities at market value - Group

As at 31 March	Number of shares 2022	Number of shares 2021	Cost 2022 In Rs. '000s	Cost 2021 In Rs. '000s	Market value 2022 In Rs. '000s	Market value 2021 In Rs. '000s
Access Engineering PLC	474,129	-	11,320	-	7,112	-
Aitken Spence Hotel Holdings PLC	381,551	-	14,206	-	13,545	-
Aitken Spence PLC	2,227,985	-	186,785	-	164,202	-
BPPL Holdings PLC	229,804	-	4,854	-	4,527	-
Cargills (Ceylon) PLC	-	859,786	-	165,034	-	202,050
Ceylon Cold Stores PLC	94,600	144,425	6,375	96,611	3,680	89,796
Ceylon Tobacco Company PLC	195,932	93,780	190,646	90,537	112,906	91,881
CIC Holdings PLC	371,596	-	24,569	-	14,158	-
Commercial Bank of Ceylon PLC	2,019,826	7,729,919	177,118	676,842	126,643	660,908
C T Holdings PLC	-	394,306	-	66,777	-	67,032
Dialog Axiata PLC	25,974,333	14,548,770	314,495	168,801	259,743	189,134
ExpoLanka Holdings PLC	101,495	-	21,658	-	21,086	-
Hayleys Fabric PLC	4,719,190	3,916,980	160,047	48,832	137,328	55,229
Hatton National Bank PLC	1,465,124	5,136,866	202,510	735,996	160,065	647,245
Hela Apparel Holdings PLC	12,990,515	-	194,858	-	167,578	-
Hsenid Business Solutions PLC	1,403,217	-	17,540	-	25,258	-
John Keells Holdings PLC	5,527,500	4,547,381	696,856	555,142	801,488	675,286
John Keells Hotels PLC	3,332,244	2,509,603	30,262	20,077	38,987	23,841
Lion Brevery (Ceylon) PLC	-	262,995	-	141,965	-	149,644
Nestle Lanka PLC	-	152,171	-	217,410	-	174,464
Renuka Agri Foods PLC	12,565,759	-	86,568	-	45,237	-
Sampath Bank PLC	1,804,326	1,717,668	113,679	115,893	82,638	92,411
Seylan Bank PLC	-	-	-	-	-	-
Sunshine Holdings PLC	980,762	2,255,682	37,901	33,459	35,896	59,776
TeeJay Lanka PLC	8,762,843	7,314,236	308,039	210,337	348,761	292,569
Tokyo Cement Company (Lanka) PLC	1,633,487	-	95,068	-	55,375	-
			2,895,354	3,343,712	2,626,213	3,471,266

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

	COMPANY			
As at 31 March	2022		2021	
	Number of shares In '000s	Value of shares In Rs.'000s	Number of shares In '000s	Value of shares In Rs.'000s
Fully paid ordinary shares				
At the beginning of the year	1,319,664	63,101,661	1,318,551	62,881,295
Share options exercised	211	37,209	1,113	220,366
Private placement of ordinary shares	65,042	10,048,991	-	-
At the end of the year	1,384,917	73,187,861	1,319,664	63,101,661

The number of shares in issue as at 31 March 2022 was 1,384,916,632 which include global depository receipts (GDRs) of 1,320,942 (2021 -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 36,788,659 shares (2021 - 38,047,143) have been reserved to be issued under the employee share option plan as at 31 March 2022.

Private placement of ordinary shares

In November 2021, the Company resolved to raise funds through a private placement of ordinary shares for a maximum cumulative amount of the Rs. equivalent of USD 80 million to the Asian Development Bank in two phases. In January 2022, the first phase of the above transaction was completed, where JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the Rs. equivalent of USD 50 million, resulting in a post-issue dilution of 4.70 per cent subsequent to the first phase.

Additionally, in terms of second phase, of the Company also issued 39,025,204 non-tradable/non-transferable options, entitling ADB to subscribe for additional new ordinary shares of the Company, for an investment amount of up to a maximum of the Rs. equivalent of USD 30 million. The options exercise price would be based on the volume weighted average price of the Company's ordinary shares as quoted on the CSE during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor price of Rs.165.00 and cap price of Rs.200.00 and is exercisable between 19 October 2022 and 18 January 2023.

Based on the above, the maximum number of ordinary shares that would potentially be issued under the entire transaction, assuming all options are subscribed for, will be 104,067,210, thereby capping the post-issue dilution on the conclusion of both phases to a maximum of 7.31 per cent.

34.2 Other components of equity

As at 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Revaluation reserve	41,012,553	37,777,543	-	-
Foreign currency translation reserve	79,185,589	26,424,124	-	-
Other capital reserve	3,060,095	2,863,766	3,060,095	2,863,766
Restricted regulatory reserve	3,626,604	3,626,604	-	-
Cash flow hedge reserve	2,928,815	349,024	2,928,815	729,316
Fair value reserve of financial assets at FVOCI	(802,243)	1,362,079	21,171	28,094
	129,011,413	72,403,140	6,010,081	3,621,176

The revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

The foreign currency translation reserve comprises the net exchange movement arising from 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 Rs.. 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 The 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)

The statutory reserve fund is maintained as per the requirements 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 be 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.

The 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 Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Total expense arising from share-based payment transactions	204,618	225,007	61,117	66,035

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 2022 No.	GROUP 2022 WAEP	GROUP 2021 No.	GROUP 2021 WAEP	COMPANY 2022 No.	COMPANY 2022 WAEP	COMPANY 2021 No.	COMPANY 2021 WAEP
Outstanding at the beginning of the year	38,047,143	150.06	41,563,469	152.67	12,771,300	150.82	14,419,940	152.76
Granted during the year	6,585,800	136.64	6,557,100	132.86	2,017,300	136.64	1,819,700	132.86
Transfers	-	-	-	-	-	-	(56,195)	159.13
Exercised during the year	(210,675)	137.28	(1,113,183)	142.81	-	-	(363,100)	142.83
Expired during the year	(7,633,609)	143.93	(8,960,243)	150.47	(2,700,363)	143.06	(3,049,045)	150.13
Outstanding at the end of the year	36,788,659	149.01	38,047,143	150.06	12,088,237	150.18	12,771,300	150.82
Exercisable at the end of the year	21,929,305	156.84	22,717,896	155.17	7,412,529	158.31	8,392,388	155.40

Notes to the Financial Statements

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 on 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 the 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 was used and results were generated using binomial model for ESOP.

As at 31 March	COMPANY 2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1	2019 Plan no 9 award 3	2018 Plan no 9 award 2
Dividend yield (%)	3.28	3.87	3.62	3.76	3.99
Expected volatility (%)	22.37	21.35	17.47	17.77	17.54
Risk free interest rate (%)	8.87	6.44	9.83	10.09	11.48
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (Rs.)	132.63	134.74	138.70	154.10	173.25
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 (Rs.)	44.21	44.91	46.23	51.37	56.27
Exercise price for options outstanding at the end of the year (Rs.)	136.64	132.86	136.97	154.10	173.25
Exercise price for options outstanding at the end of the year (Rs.) (adjusted as at 31 March 2022)	136.64	132.86	136.97	154.14	173.30

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 Rs.'000s	GROUP 2022	2021
Insurance contract liabilities	50,939,495	44,791,714
Unclaimed benefits	409,828	368,897
	51,349,323	45,160,611

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 payments 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.

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 during the reporting period. Insurance contract liability valuations are primarily based on long-term assumptions, except for the risk-free interest rate and yield which increased during the second half of the year. This was used for discounting nonparticipating insurance contract liabilities and Universal life insurance contract liabilities respectively at Union Assurance PLC.

Valuation of life insurance fund

The valuation of the conventional life insurance fund as at 31 December 2021 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and a sum of Rs.1600 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2021. Subsequent to the transfer the conventional life fund stood at Rs.48,749 million.

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 Private Limited and the non unit fund stood at Rs.169 million. 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 2021 is adequate to cover the liabilities of the funds.

As at 31 March 2022, an internal actuarial valuation has been carried out for the conventional life insurance fund and the non unit fund of linked long term business based on long-term assumptions, risk-free interest rate and yield which were increased during the latter half of the year. It is our opinion 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 Rs.432.5 Mn attributable to participating business and Rs.2.5 Mn attributable to unit linked fund and Rs.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 Rs.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 Rs.'000s	2021	2020
Conventional life insurance fund		
Balance as at 1 January	41,826,947	35,448,033
Increase in life insurance fund before surplus transfer to share holders	8,525,435	7,061,324
Transfer to shareholders	(1,600,000)	(825,000)
Effect of taxation on surplus/bonus transferred to policyholders	(27,162)	51,059
Net change in unclaimed benefits	23,751	91,531
Balance as at 31 December	48,748,971	41,826,947
Non unit fund of linked life insurance contracts		
Balance as at 1 January	54,710	41,718
Increase in non unit fund of linked life insurance before surplus transfer to share holders	53,173	10,416
Transfer to shareholders	-	-
Net change in unclaimed benefits	61,293	2,576
Balance as at 31 December	169,176	54,710
	48,918,147	41,881,657

Liability adequacy test (LAT) - Life insurance contract liabilities
As at 31 December 2021, 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 Rs.'000s	2022	2021
Total Revenue	15,225,571	13,221,167
Cost of sales	(7,829,465)	(6,168,801)
Gross profit	7,396,106	7,052,366
Operating expenses including distribution and administration expenses	(4,377,144)	(4,192,748)
Net finance income	5,281,652	5,023,000
Profit attributable to shareholders of UA	(1,884,315)	(850,926)
Change in insurance contract liabilities	6,416,299	7,031,692

Union Assurance PLC follows a risk mitigation approach for inherent uncertainty regarding the occurrence, amount or timing of insurance contract liabilities.

The following table describes 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 Rs.'000s	2022	2021	2022	2021
At the beginning of the year	128,473,113	56,131,366	47,186,858	605,747
Cash movement				
Loans obtained	53,876,802	71,729,856	3,000,000	43,889,749
Repayments	(34,946,688)	(6,753,731)	(1,474,806)	(540,608)
Non cash movement				
Accrued Interest	948,393	1,138,330	134,057	428,650
Exchange differences	51,194,726	6,227,292	18,350,918	2,803,320
At the end of the year	199,546,346	128,473,113	67,197,027	47,186,858
Repayable within one year	40,624,448	9,507,473	2,562,994	3,007,368
Repayable after one year	158,921,898	118,965,640	64,634,033	44,179,490
	199,546,346	128,473,113	67,197,027	47,186,858

Notes to the Financial Statements

37. Interest-bearing loans and borrowings (Contd.)

37.2 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2022 In Rs.'000s	2021 In Rs.'000s
Company					
John Keells Holdings PLC	1 month LIBOR plus margin	36 monthly installments commencing from March 2019	-	-	306,013
	Fixed rate	28 quarterly installments commencing from December 2020	-	5,201,085	5,876,085
	Fixed rate	60 monthly installments commencing from December 2020	-	5,550,000	5,925,000
	USD 117 million at 6-month LIBOR plus margin and USD 58 million at a fixed rate	12 semi annual installments commencing from December 2024 after 4 years grace period	Freehold land held under Vauxhall Land Developments (Pvt) Ltd (VLD) Pledge of 1,086 Mn shares held by JKH in VLD Pledge of 67.8 Mn shares held by JKH in Ceylon Cold Stores PLC	53,558,442	35,079,760
	Fixed rate	60 monthly installments commencing from June 2021	-	2,887,500	-
				67,197,027	47,186,858
Group companies					
Asian Hotels and Properties PLC	Fixed rate	17 monthly installments commencing from May 2021 after 6 months grace period	-	50,000	50,000
	Fixed rate	36 monthly installments commencing from September 2021 after 6 months grace period	-	200,000	-
	AWPLR plus margin	Short term revolving loan to be settled within 180 days	-	452,000	-
Beruwala Holiday Resorts (Pvt) Ltd	1 month LIBOR plus margin	8 quarterly installments commencing from July 2022	-	334,294	218,677
	Fixed rate	3 monthly installments commencing from June 2021	-	-	47,240
	Fixed rate	3 monthly installments commencing from June 2021 after 9 months grace period	Letter of Comfort from John Keells Holdings PLC	-	25,753
Ceylon Cold Stores PLC	Fixed rate	48 monthly installments with one year grace period	-	372,298	-
Ceylon Holiday Resort Ltd	Fixed rate	48 monthly installments commencing from January 2023 after 12 months grace period	Letter of Comfort from John Keells Holdings PLC	602,349	-
	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	Rs.3.0 Bn Corporate Guarantee from John Keells Hotels PLC	3,063,305	2,838,352
Cinnamon Hotel Management Ltd	Fixed rate	15 monthly installments commencing from April 2021	-	4,800	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.	5,739,490	3,817,658
	3 months LIBOR plus margin	12 Monthly installments commencing from March 2021	-	-	146,508

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2022 In Rs.'000s	2021 In Rs.'000s
Habarana Walk Inn Ltd	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.12.7 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	13,138	12,680
Habarana Lodge Ltd	1 month LIBOR plus margin	8 quarterly installments commencing from July 2022	-	59,085	37,939
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.37.9 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	39,965	38,453
Hikkaduwa Holiday Resorts (Pvt) Ltd	1 month LIBOR plus margin	8 quarterly installments commencing from July 2022	-	249,659	160,304
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.18.9 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	19,921	19,148
	Fixed rate	72 monthly installments commencing from July 2022 after 12 months grace period	Rs.540 Mn Corporate Guarantee from John Keells Hotels PLC	560,359	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 Rs.450 Mn signed relating to the term loan	145,041	172,824
John Keells Information Technology (Pvt) Ltd	Fixed rate	18 monthly installments commencing from April 2021	-	4,000	20,000
John Keells Logistics (Pvt) Ltd	Fixed rate	24 monthly installments commencing from April 2021	-	4,000	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	1,421	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	1,104,926	1,018,780
Jaykay Marketing Services (Pvt) Ltd	Fixed rate	20 quarterly installments commencing from March 2021	-	3,000,000	3,800,000
	Fixed rate	20 quarterly installments commencing from May 2021	-	1,600,000	2,000,000
	Fixed rate	Repayment on maturity	-	2,000,000	-
Keells Food Products PLC	1 month COF plus margin	60 monthly installments commencing from February 2019	-	85,668	129,124
Kandy walk Inn Ltd	Fixed rate	18 monthly installments commencing from June 2022 after 6 months grace period	Rs.26.6 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	28,064	26,965
Logipark International (Pvt) Ltd	1 month COF plus margin	15 quarterly installments after 1 year grace period	Mortgage over the property	2,980,000	-
Mack Air (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	10,000	15,000
Mack International Freight (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	3,333	10,000

Notes to the Financial Statements

37. Interest-bearing loans and borrowings (Contd.)

37.2 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2022 In Rs.'000s	2021 In Rs.'000s
Rajawella Holdings Ltd	1 month COF plus margin	60 monthly installments commencing from April 2020 after 1 year grace period	-	393,340	374,000
The Colombo Ice Company (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from March 2017 after 1 year grace period	Rs.773 Mn Corporate Guarantee from Ceylon Cold Stores PLC	534,722	1,041,667
Trans Asia Hotels PLC	1 month LIBOR plus margin	5 quarterly installments commencing from March 2021	-	228,750	187,781
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')	8,084,940	5,591,934
	3 months LIBOR plus margin	12 monthly installments commencing from March 2021	-	-	177,866
Trinco Holiday Resorts (Pvt) Ltd	AWPLR minus margin	13 monthly installments commencing from July 2022 after 12 months grace period	Letter of Comfort from John Keells Hotels PLC	100,328	94,238
	1 month LIBOR plus margin	8 quarterly installments commencing from July 2022	-	69,172	63,152
	Fixed rate	18 monthly installments from July 2022 after 6 months grace period	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	19,504	-
Waterfront Properties (Pvt) Ltd	3 month LIBOR plus margin	13 quarterly installments commencing from September 2019	WPL's assets (other than the residential and office buildings), Sponsor support undertaking by JKH, Pledge of 6.4 Bn shares held by JKH in WPL	-	58,505,920
		5-year loan with a 2-year grace period and back-ended capital payments.		68,734,525	-
	Market standard margin over interest rate on collateral	Repayment on maturity, June 2022	Pledged fixed deposits of John Keells Holdings PLC with a security cover of 1.1 times	31,012,451	-
Yala Village (Pvt) Ltd	1 month LIBOR plus margin	8 quartely installments commencing from July 2022	-	22,567	28,463
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.21.4 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	44,326	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	-	103,971	101,400
Walkers Tours Ltd	Fixed rate	23 monthly installments commencing from September 2021 after 6 months grace period	-	273,607	250,300
				199,546,346	128,473,113

Debt refinancing at Waterfront Properties (Pvt) Ltd
The USD 395 million syndicated loan facility (original facility) at Waterfront Properties (Pvt) Ltd, which was due for repayment in July 2022, was successfully refinanced in December 2021 through a USD 225 million long-term loan facility and a six-month bridging facility of USD 100 million. The USD 225 million facility was concluded at a rate similar to the previous facility taking into account step-down pricing mechanisms based on pre-agreed triggers. The facility is a 5-year loan with a 2-year grace period and back-ended capital payments.

The USD 100 million bridging facility was structured in order to align with the maturity date of July 2022 of the original facility.

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 Rs.'000s**	**Note**	**2022**	**2021**	**2022**	**2021**
Employee defined benefit plan - gratuity	38.2	2,439,021	2,330,114	146,903	123,194
Other long term employee benefit	38.3	667,596	483,892	151,066	108,175
At the end of the year		3,106,617	2,814,006	297,969	231,369

38.2 Employee defined benefit plan - gratuity

	GROUP		COMPANY	
As at 31 March **In Rs.'000s**	**2022**	**2021**	**2022**	**2021**
At the beginning of the year	2,330,114	2,073,046	123,194	107,318
Current service cost	241,043	233,577	11,678	9,904
Past service cost	(15,538)	-	(1,092)	-
Transfers	-	-	891	(1,137)
Interest cost on benefit obligation	174,945	204,805	11,088	11,805
Payments	(269,012)	(276,410)	(2,666)	(6,831)
(Gain)/Loss arising from changes in assumptions	(24,720)	95,096	3,810	2,135
Exchange differences	2,189	-	-	-
At the end of the year	2,439,021	2,330,114	146,903	123,194
The expenses are recognised in the income statement in the following line items;				
Cost of sales	202,613	218,109	3,591	2,895
Selling and distribution expenses	34,795	44,986	-	-
Administrative expenses	163,042	175,287	18,083	18,814
	400,450	438,382	21,674	21,709

Notes to the Financial Statements

38. Employee benefit liabilities (Contd.)
38.3 Other long term employee benefits

As at 31 March In Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
At the beginning of the year	483,892	270,865	108,175	64,132
Current service cost	152,048	192,058	35,290	37,701
Interest cost	31,656	20,969	7,601	6,342
At the end of the year	667,596	483,892	151,066	108,175

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 are involve in 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.

Under the Minimum Retirement Age of Workers Act No 28 of 2021, retirement benefit plan of the Group and the Company was amended due to the increase in retirement age.

The Management tested several scenarios based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to retirement benefit obligation liability of the Group.

The principal assumptions used in determining the cost of employee benefits were:

As at 31 March	2022	2021
Discount rate	8.00% -10.00%	7.00% -9.00%
Future salary increases	7.00% -9.00%	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 2022	 2021	COMPANY 2022	 2021
Discount rate:				
1% Increase	(117,176)	(100,137)	(5,798)	(6,955)
1% Decrease	113,434	110,514	6,281	7,673
Salary Increment rate:				
1% Increase	118,799	111,402	6,541	7,867
1% Decrease	(124,005)	(102,399)	(6,141)	(7,249)

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 Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Within the next 12 months	113,775	218,929	-	44
Between 1 and 2 years	228,446	222,511	13,253	12,002
Between 2 and 5 years	943,957	996,578	90,660	21,006
Between 5 and 10 years	965,951	667,551	42,990	73,659
Beyond 10 years	186,892	224,545	-	16,483
Total expected payments	2,439,021	2,330,114	146,903	123,194
Weighted average duration (years) of defined benefit obligation	7.97	7.45	5.18	12.26

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 Rs.'000s	GROUP 2022	GROUP 2021
Forward contract liability	-	413,466
Construction retention	2,413,880	3,247,486
	2,413,880	3,660,952

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 Rs.'000s	GROUP 2022	GROUP 2021
Contract liabilities	73,760	19,386,170
Deposits	96,183	101,057
Other deferred liabilities	50,260	58,428
	220,203	19,545,655

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 Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Trade and other payables	41,822,593	34,037,021	566,252	372,711
Contract Liabilities	123,166	112,665	-	-
Reinsurance payables	1,219,314	670,785	-	-
Advances and deposits	304,334	467,229	-	-
	43,469,407	35,287,700	566,252	372,711

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.

Notes to the Financial Statements

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.

As at 31 March In Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
Bank borrowings	14,833,056	6,903,737	2,000,000	-
	14,833,056	6,903,737	2,000,000	-

43. Other current liabilities

Accounting policy

The Group classifies all non financial current liabilities under other current liabilities.

As at 31 March In Rs.'000s	GROUP 2022	 2021	COMPANY 2022	 2021
Non refundable deposits	627,277	518,057	-	-
Contract liabilities	2,093,394	758,085	-	-
Other tax payables	1,559,716	457,256	-	20,796
	4,280,387	1,733,398	-	20,796

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 and 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 2021 audited financial statements, which required additional disclosures in the 2021/22 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 2021 audited financial Statements, which required additional disclosures in the 2021/22 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

As at 31 March In Rs.'000s	Note	GROUP 2022	 2021	COMPANY 2022	 2021
Subsidiaries	44.5	-	-	531,375	1,379,839
Equity accounted investees		196,394	123,553	129,324	85,977
Key management personnel		-	-	-	-
		196,394	123,553	660,699	1,465,816

44.2 Amounts due to related parties

As at 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Subsidiaries	44.6	-	-	20,912	13,181
Equity accounted investees		1,818	1,385	-	-
Key management personnel		-	-	-	-
		1,818	1,385	20,912	13,181

44.3 Transactions with related parties

For the year ended 31 March In Rs.'000s	Note	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Subsidiaries					
Purchases of goods		-	-	6,540	5,996
Rendering of services	44.5	-	-	1,411,346	1,307,624
Receiving of services	44.6	-	-	433,074	428,543
Rent paid		-	-	31,611	31,641
Dividend received		-	-	4,194,492	3,959,814
Equity accounted investees					
Sale of goods		9,567	8,381	-	-
Rendering of services	44.5	693,777	482,220	461,150	338,096
Receiving of services		199,477	163,712	115	-
Interest received	44.4	160,859	67,987	96,108	10,721
Interest paid	44.4	45,081	13,730	3	2
Loans received		1,000,000	-	-	-
Dividend received		-	-	3,813,157	4,386,446
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					
Rendering of services		5,037	-	-	-
Receiving of services		14,374	8,086	-	-
Post employment benefit plan					
Contributions to the provident fund		287,558	261,102	70,256	50,407

44.4 Transactions with related parties - Associates

For the year ended 31 March In Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Nations Trust Bank PLC				
Interest received	160,859	67,987	96,108	10,721
Interest paid	45,081	13,730	3	2

The Group held interest bearing deposits of Rs.4,658 Mn (2021 - Rs.1,023 Mn) at Nations Trust Bank PLC as at 31 March 2022.

Notes to the Financial Statements

44. Related party transactions (Contd.)

44.5 Related party transactions and balances

For the year ended/As at 31 March In Rs.'000s	COMPANY Rendering of services 2022	2021	Amounts due from 2022	2021
Subsidiaries				
Asian Hotels and Properties PLC	59,879	55,255	2,229	9,776
Beruwala Holiday Resorts (Pvt) Ltd	13,894	12,350	1,324	1,235
Ceylon Cold Stores PLC	162,211	162,226	38,777	208,835
Ceylon Holiday Resorts Ltd	13,389	12,968	1,227	1,268
Cinnamon Hotel Management Ltd	62,927	56,568	7,005	6,010
Fantasea World Investments (Pte) Ltd	5,967	5,809	572	854
Habarana Lodge Ltd	11,576	10,236	1,119	1,041
Habarana Walk Inn Ltd	9,438	8,395	886	3,150
Hikkaduwa Holiday Resorts (Pvt) Ltd	11,438	10,206	1,077	999
InfoMate (Pvt) Ltd	52,426	48,792	9,207	3,474
JayKay Marketing Services (Pvt) Ltd	407,653	363,285	363,075	63,912
John Keells Information Technologies (Pvt) Ltd	74,360	76,727	-	63,245
John Keells International (Pvt) Ltd	6,330	5,627	-	3,158
John Keells Logistics (Pvt) Ltd	41,892	36,455	16,124	8,264
John Keells Maldivian Resorts (Pte) Ltd	4,042	3,983	352	913
John Keells Office Automation (Pvt) Ltd	37,875	33,544	17,478	19,412
John Keells PLC	18,343	16,560	-	1,080
John Keells Stock Brokers (Pvt) Ltd	12,131	9,917	-	-
John Keells Teas Ltd	2,654	2,407	591	270
John Keells Warehousing (Pvt) Ltd	3,514	3,323	331	324
Kandy Walk Inn Ltd	11,109	10,065	969	1,048
Keells Consultants (Pvt) Ltd	4,131	4,198	-	13,109
Keells Food Products PLC	43,439	38,554	4,029	3,947
Lanka Marine Services (Pvt) Ltd	16,691	13,814	3,599	2,553
Mack Air (Pvt) Ltd	13,608	12,771	-	356
Mackinnon Keells Ltd	1,848	1,829	-	-
Mackinnons Travels (Pvt) Ltd	7,323	11,290	-	878
Rajawella Holdings Ltd	7,396	5,772	1,384	1,144
Tea Small Holder Factories PLC	2,776	2,224	11,550	236
The Colombo Ice Company (Pvt) Ltd	15,377	11,702	1,602	1,126
Tranquility (Pte) Ltd	13,205	12,226	1,267	1,969
Trans Asia Hotels PLC	41,694	38,298	227	-
Travel Club (Pte) Ltd	6,039	5,349	577	867
Trinco Holiday Resorts (Pvt) Ltd	9,152	8,531	848	880
Union Assurance PLC	85,098	97,810	8,939	944,644
Walkers Tours Ltd	31,807	37,800	2,272	3,023
Waterfront properties (Pvt) Ltd	21,670	-	16,866	-
Whittall Boustead (Pvt) Ltd	26,931	23,230	1,883	1,493
Whittall Boustead (Travel) Ltd	7,543	8,438	1,677	1,054
Yala Village (Pvt) Ltd	9,428	8,774	870	904
Other subsidiaries	23,142	20,316	11,442	3,388
	1,411,346	1,307,624	531,375	1,379,839

44.5 Related party transactions and balances (Contd.)

For the year ended/As at 31 March In Rs.'000s	COMPANY Rendering of services 2022	2021	Amounts due from 2022	2021
Joint ventures				
DHL Keells (Pvt) Ltd	441,876	318,378	118,325	70,049
Braybrooke Residential Properties (Pvt) Ltd	736	651	105	1,479
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd	544	-	703	-
Sentinel Reality (Pvt) Ltd	-	23	-	76
Associates				
Fairfirst Insurance Ltd	-	37	318	400
Nations Trust Bank PLC	-	-	1,559	1,401
Saffron Aviation (Pvt) Ltd	3,172	3,705	377	334
Capital Hotel Holdings (Pvt) Ltd	9,507	9,679	938	5,813
South Asia Gateway Terminals (Pvt) Ltd	5,315	5,623	6,991	6,425
	461,150	338,096	129,316	85,977

44.6 Related party transactions and balances

For the year ended/As at 31 March In Rs.'000s	COMPANY Receiving of services 2022	2021	Amounts due to 2022	2021
Subsidiaries				
Asian Hotels and Properties PLC	192	3,033	-	-
InfoMate (Pvt) Ltd	5,890	5,581	-	-
Trans Asia Hotels PLC	-	25,710	-	1,632
John Keells Information Technologies (Pvt) Ltd	399,598	377,163	3,676	-
John Keells Singapore (Pvt) Ltd.	13,621	6,319	2,818	-
Whittall Boustead (Pvt) Ltd	8,916	9,819	-	-
Other subsidiaries	4,857	918	14,418	11,549
	433,074	428,543	20,912	13,181
Joint ventures				
DHL Keells (Pvt) Ltd	115	-	-	-
	115	-	-	-

Details of inter-company assets pledged and given as collateral for loans and borrowings can be found in Interest-bearing loans and borrowings Note 37.2 in the financial statements.

Notes to the Financial Statements

44. Related party transactions (Contd.)

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 Rs.'000s	GROUP 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
Short-term employee benefits	436,828	381,202	122,198	115,268
Post employment benefits	8,227	7,459	2,589	2,541
Share based payments	69,532	91,142	28,385	29,275
	514,587	479,803	153,172	147,084

Directors' interest in the employee share option plan of the Company

As at 31 March 2022, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

	COMPANY				
	2022			2021	
Expiry date	Adjusted exercise price Rs.	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
14.08.2021				600,000	600,000
02.07.2022	173.30	725,000	725,000	725,000	543,750
21.06.2023	154.14	880,000	660,000	880,000	440,000
30.06.2024	136.97	880,000	440,000	880,000	220,000
30.06.2025	132.86	880,000	220,000	880,000	-
30.06.2026	136.64	880,000	-	-	-

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

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 liabilities of the Company and the Group as at 31 March 2022, relates to the following:

John Keells Holdings PLC (JKH)

The contingent liability of the Company as at 31 March 2022, 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 2022, is estimated at Rs.54 Mn.

Ceylon Cold Stores PLC (CCS)

The contingent liability of CCS as at 31 March 2022, 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 2022 is estimated at Rs.36.5 Mn.

Lanka Marine Services (Pvt) Ltd (LMS)

The contingent liability of LMS as at 31 March 2022, 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 2022, is estimated at Rs.1,233 Mn.

Mackinnons Travels (Pvt) Ltd (MTL)

The contingent liability of MTL as at 31 March 2022, 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 30 November 2019.

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 2022 is estimated at Rs.108 Mn.

Trans Asia Hotels PLC (TAH)

The contingent liability of TAH as at 31 March 2022, 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 2022 is estimated at Rs.157.6 Mn.

Notes to the Financial Statements

45. Contingent liabilities (Contd.)

Union Assurance PLC (UA)
The contingent liability of UA as at 31 March 2022, relates to the following:

Value Added Tax assessments relating to the periods from 1 April 2016 to 31 March 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 2022, is estimated at Rs.13.9 Mn.

Financial Services VAT and NBT assessments relating to the periods from 1 January 2016 to 31 December 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 2022, is estimated at Rs.520 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 Rs.13 Mn, Rs.132 Mn, Rs.411 Mn, Rs.175 Mn, Rs.887 Mn, Rs.832 Mn, Rs.472 Mn and Rs 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 Rs.'000s	2022	2021	2022	2021
Capital commitments approved but not provided for	28,418,998	30,438,691	-	-
Guarantees	3,267,348	1,877,615	1,947,000	3,117,000
	31,686,346	32,316,306	1,947,000	3,117,000

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 Rs.0.50 per share for the financial year ended 31 March 2022. 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 22 June 2022.

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 2022.

Surcharge Tax
Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022. Financial impact arising from the same is discussed in Note 21 to the Financial Statements.

ETHICAL CONDUCT

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'.

2020/21 - JKH entered into a ten-year financing agreement with the International Finance Corporation (IFC) for USD 175 million. 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 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.

Decade at a Glance

31 March Rs. Mn	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
OPERATING RESULTS										
Group revenue	218,075	127,676	138,956	135,456	121,215	106,273	93,710	91,852	86,706	85,408
EBIT	34,359	7,931	15,508	20,198	28,155	23,324	20,192	19,226	16,537	16,677
Finance cost	(7,035)	(4,669)	(3,166)	(2,722)	(521)	(436)	(994)	(668)	(1,217)	(1,081)
Share of results of equity accounted investees (net of tax)	6,746	4,159	4,466	4,727	3,596	3,303	2,781	2,778	3,089	3,440
Profit before tax	27,324	5,445	12,403	18,616	27,634	22,888	19,198	18,557	15,320	15,595
Tax expense	(6,882)	(1,494)	(2,662)	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)	(2,162)
Profit after tax	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433
Attributable to:										
Equity holders of the parent	20,213	4,772	9,414	15,254	21,021	16,275	14,070	14,348	11,721	12,113
Non-controlling interests	230	(821)	327	983	2,099	1,842	1,722	1,397	1,237	1,320
	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433
CAPITAL EMPLOYED										
Stated capital	73,188	63,102	62,881	62,806	62,802	62,790	58,702	50,703	49,749	26,480
Capital reserves and other components of equity	129,011	72,403	66,085	58,646	49,852	38,652	28,715	24,501	21,845	20,635
Revenue reserves	109,087	90,652	87,885	82,834	87,266	77,193	67,565	62,594	51,304	42,704
	311,286	226,157	216,851	204,286	199,920	178,635	154,982	137,798	122,898	89,819
Non-controlling interest	18,805	16,830	26,872	26,072	24,944	15,696	13,499	12,279	11,421	11,152
Total equity	330,091	242,987	243,723	230,358	224,864	194,331	168,481	150,077	134,319	100,971
Total debt	268,228	172,904	100,907	54,513	29,722	22,766	20,750	23,934	26,139	20,107
	598,319	415,891	344,630	284,871	254,586	217,097	189,231	174,011	160,458	121,078
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	124,348	113,077	111,534	97,688	87,260	64,396	52,737	49,563	47,406	49,200
Non-current assets other than PP&E	354,518	257,226	204,360	170,687	136,427	107,912	93,376	78,030	71,969	59,787
Current assets	238,929	166,491	121,050	95,421	98,762	104,964	94,863	90,493	82,206	49,934
Liabilities net of debt	(119,476)	(120,903)	(92,314)	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)	(37,843)
	598,319	415,891	344,630	284,871	254,587	217,097	189,231	174,011	160,458	121,078
CASH FLOW										
Net cash flows from operating activities	30,440	13,825	(10,350)	(4,743)	16,012	21,020	20,513	20,855	8,041	14,568
Net cash flows from / (used in) investing activities	39,363	(44,944)	(27,039)	(8,452)	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)	(16,199)
Net cash flows from / (used in) financing activities	31,693	55,427	18,431	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)	25,446	(1,320)
Net increase / (decrease) in cash and cash equivalents	101,495	24,308	(18,959)	(14,709)	(5,215)	(755)	3,229	14,762	13,777	(2,951)
KEY INDICATORS										
Basic earnings per share (Rs.)	15.13	3.62	7.14	11.13	15.2	11.9	10.5	12.6	10.5	10.7
Interest cover (no. of times)	4.9	1.7	4.9	7.8	54	52.8	51.5	27.7	13.6	15.4
Net assets per share* (Rs.)	224.8	163.3	156.6	147.5	144.4	129.0	111.9	99.5	88.7	64.9
Enterprise value (EV)	311,951	244,679	186,236	210,020	187,926	136.022	124,182	155,675	124,182	203,615
EV / EBITDA	10.7	15.7	9.2	8.5	5.8	5.0	5.0	6.6	10.0	10.0
ROE (%)	7.5	2.2	4.5	7.5	11.1	9.8	9.6	11.0	11.0	15.0
Debt / equity ratio (%)	81.3	71.2	41.4	23.7	13.2	11.7	12.3	15.9	19.5	19.9
Net debt excl. leases (cash)/Equity (%)	23.5	20.0	14.0	1.9	(14.9)	(28.5)	(30.8)	(28.8)	(23.2)	(8.0)
Dividend payout (Rs.Mn)	2,012	1,978	4,614	8,186	8,325	7,280	8,038	3,476	3,267	2,982
Current ratio (no. of times)	1.8	2.3	2.1	1.7	3.0	3.7	4.0	2.6	2.4	2.0
Market price per share unadjusted (Rs.)	145.0	148.5	115.4	156.0	159.6	137.9	148.0	199.4	227.0	247.0
Market price per share diluted (Rs.)	145.0	148.5	115.4	156.0	159.6	137.9	129.5	152.7	173.8	238.2
Revenue growth rate (%)	70.8	(8.1)	2.6	11.8	14.1	13.4	1.6	5.9	4.1	9.7
USD closing rate (Rs.)	305.0	200.3	189.6	175.5	155.9	151.9	147.7	133.5	130.7	126.8
USD average rate (Rs.)	208.3	189.0	179.4	168.6	153.6	148.0	139.2	131.2	130.1	129.9

* 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 2022.

Economic Value Statement

For the year ended 31 March Rs.Mn	Transportation 2022	Transportation 2021	Consumer Foods 2022	Consumer Foods 2021	Retail 2022	Retail 2021	Leisure 2022	Leisure 2021	Property 2022	Property 2021
Direct economic value generated										
Revenue	32,550	18,403	23,008	18,298	91,056	70,400	20,593	6,079	36,350	1,109
Finance income	141	143	635	50	332	110	545	458	328	151
Share of results of associates	3,680	2,423	-	-	-	-	(35)	(71)	825	99
Profit on sale of assets & other income	640	236	535	981	2,222	1,868	501	452	24	64
Valuation gain on IP	-	-	17	4	-	-	105	16	(4,288)	(291)
	37,011	21,205	24,195	19,333	93,610	72,378	21,709	6,934	33,239	1,132
Economic value distributed										
Operating costs	34,219	16,266	15,235	10,363	83,695	61,697	13,098	4,686	33,206	839
Employee wages & benefits	672	728	3,307	2,892	4,689	3,914	4,327	4,105	448	375
Payments to providers of funds	825	546	1,898	2,325	2,775	2,548	994	539	300	20
Payments to government	288	142	1,160	1,088	780	499	325	47	102	65
Community investments	7	6	20	25	23	11	7	4	4	-
	36,011	17,688	21,620	16,693	91,962	68,669	18,751	9,381	34,060	1,299
Economic value retained										
Depreciation	201	202	940	853	1,340	1,181	2,230	2,207	57	46
Amortisation	60	61	45	10	1,282	1,055	1,706	1,557	28	23
Profit after dividends	739	3,254	1,590	1,777	(974)	1,473	(978)	(6,211)	(906)	(236)
Retained for reinvestment / growth	1000	3,517	2,575	2,640	1,648	3,709	2,958	(2,447)	(821)	(167)

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			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	%	2021	%
	15,686	13,603	6,745	6,358	225,988	134,250	(7,913)	(6,574)	218,075	85.80	127,676	88.11
	5,778	5,450	32,441	13,067	40,200	19,429	(9,394)	(8,740)	30,806	12.12	10,689	7.38
	2,276	1,708	-	-	6,746	4,159	-	-	6,746	2.65	4,159	2.87
	28	42	260	1,861	4,210	5,504	(1,595)	(2,877)	2,615	1.03	2,627	1.81
	-	-	81	18	(4,085)	(253)	-	-	(4,085)	(1.61)	(253)	(0.17)
	23,768	20,803	39,527	21,304	273,059	163,089	(18,902)	(18,191)	254,157	100.00	144,898	100.00
	14,958	14,944	13,056	12,129	207,467	120,924	(11,790)	(10,947)	195,677	76.99	109,977	75.90
	1,647	1,351	2,245	1,977	17,335	15,342	-	-	17,335	6.82	15,342	10.59
	1,898	1,178	5,690	3,707	14,380	10,863	(5,100)	(4,444)	9,280	3.65	6,419	4.43
	680	307	1,143	918	4,478	3,066	-	-	4,478	1.76	3,066	2.12
	1	13	97	76	159	135	-	-	159	0.06	135	0.09
	19,184	17,793	22,231	18,807	243,819	150,330	(16,890)	(15,391)	226,929	89.29	134,939	93.13
	100	84	147	153	5,015	4,726	-	-	5,015	1.97	4,726	3.26
	374	508	51	47	3,546	3,261	-	-	3,546	1.40	3,261	2.25
	4,110	2,418	17,098	2,297	20,679	4,772	(2,012)	(2,800)	18,667	7.34	1,972	1.36
	4,584	3,010	17,296	2,497	29,240	12,759	(2,012)	(2,800)	27,228	10.71	9,959	6.87

Indicative US Dollar Financial Statements

Income Statement

for information purposes only

For the year ended 31st March In USD '000s	GROUP 2022	 2021	COMPANY 2022	 2021
Continuing operations				
Revenue from contracts with customers	665,079	571,415	6,150	8,173
Revenue from Insurance Contracts	49,920	66,007	-	-
Total Revenue	714,999	637,422	6,150	8,173
Cost of sales	(591,574)	(542,921)	(3,558)	(4,780)
Gross profit	123,425	94,501	2,592	3,393
Dividend income	-	-	26,255	41,669
Other operating income	8,573	13,113	168	203
Selling and distribution expenses	(18,796)	(23,770)	-	-
Administrative expenses	(48,402)	(64,542)	(4,207)	(5,243)
Other operating expenses	(40,839)	(6,562)	(1,687)	(107)
Results from operating activities	23,961	12,740	23,121	39,915
Finance cost	(23,065)	(23,311)	(9,725)	(6,215)
Finance income	101,004	53,364	79,339	23,052
Change in insurance contract liabilities	(21,037)	(35,106)	-	-
Change in fair value of investment property	(13,393)	(1,265)	-	-
Share of results of equity accounted investees (net of tax)	22,118	20,763	-	-
Profit before tax	89,588	27,185	92,735	56,752
Tax expense	(22,563)	(7,460)	(12,782)	(4,000)
Profit for the year	67,025	19,725	79,953	52,752
Attributable to:				
Equity holders of the parent	66,272	23,825		
Non-controlling interests	753	(4,100)		
	67,025	19,725		
Earnings per share				
Basic earnings per ordinary share	0.05	0.02		
Diluted earnings per ordinary share	0.05	0.02		

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/Rs.305 (2021 - 200.30) 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 2022	GROUP 2021	COMPANY 2022	COMPANY 2021
ASSETS				
Non-current assets				
Property, plant and equipment	407,697	564,536	273	553
Right- of - use assets	175,349	202,780		-
Investment property	100,353	74,225	-	-
Intangible assets	17,703	24,229	309	487
Investments in subsidiaries	-	-	383,497	505,914
Investments in equity accounted investees	111,035	142,935	43,481	52,905
Non-current financial assets	159,641	312,480	10,108	87,924
Deferred tax assets	5,097	5,437	-	-
Other non-current assets	593,180	522,118	393	463
	1,570,055	1,848,740	438,061	648,246
Current assets				
Inventories	118,770	271,074	-	-
Trade and other receivables	90,149	87,153	341	573
Amounts due from related parties	644	617	2,166	7,318
Other current assets	39,064	29,553	2,677	853
Short term investments	363,021	345,795	275,320	257,569
Cash in hand and at bank	171,726	97,017	89,712	1,525
	783,374	831,209	370,216	267,838
Total assets	2,353,429	2,679,949	808,277	916,084
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	239,960	315,036	239,960	315,036
Revenue reserves	357,663	452,581	296,991	340,573
Other components of equity	422,988	361,473	19,703	18,077
	1,020,611	1,129,090	556,654	673,686
Non-controlling interest	61,656	84,024	-	-
Total equity	1,082,267	1,213,114	556,654	673,686
Non-current liabilities				
Insurance contract liabilities	168,358	225,465	-	-
Interest-bearing loans and borrowings	521,055	593,937	211,915	220,567
Lease liabilities	98,580	120,993	-	-
Deferred tax liabilities	39,398	38,543	9,318	-
Employee benefit liabilities	10,186	14,049	977	1,155
Non-current financial liabilities	7,914	18,277	-	-
Other non-current liabilities	722	97,582	-	-
	846,213	1,108,846	222,210	221,722
Current liabilities				
Trade and other payables	142,523	176,174	1,857	1,861
Amounts due to related parties	6	7	69	66
Income tax liabilities	8,585	9,926	2,888	3,582
Short term borrowings	48,633	34,467	6,557	-
Interest-bearing loans and borrowings	133,195	47,466	8,403	15,014
Lease liabilities	11,343	7,350	-	-
Other current financial liabilities	-	14,933	-	-
Other current liabilities	14,034	8,654	-	104
Bank overdrafts	66,630	59,012	9,639	49
	424,949	357,989	29,413	20,676
Total equity and liabilities	2,353,429	2,679,949	808,277	916,084

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/Rs.305 (2021 - 200.30) 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 2022 Rs.'000s	Net book value 2021 Rs.'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	-	424,122	405,060
Mackinnon Keells Ltd						
Leyden Bastian Road, York Street, Colombo 01.	1	31,656	0.45	-	735,000	703,646
Union Assurance PLC						
No 20, St. Michaels' Road, Colombo 03.	1	57,916	0.58	-	2,098,518	1,949,985
Vauxhall Developments (Pvt) Ltd						
No.199 ,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	3.56	-	9,687,620	8,832,830
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2.	-	-	2.09	-	5,684,800	5,183,200
No. 186, 186/3 Vauxhall Street, Colombo 2.	-	-	3.72	-	10,130,470	9,236,605
Waterfront Properties (Pvt) Ltd.						
No 5, Justice Akbar Mawatha, Slave Island, Colombo 2	1	207,480	0.76	-	15,530,000	-
John Keells Property Developments						
No. 12, 12/1, 12/2, 12/2A, 12/3, Tickell Road, Borella.	-	-	-	-	-	1,137,120
Glennie Properties (Pvt) Ltd						
No.82, Glennie Street, Colombo 02.	-	-	0.08	-	193,920	181,800
John Keells Logistics (Pvt) Ltd						
No.11, York Street, Colombo 01.	2	134,000	-	-	103,319	160,146
	14	668,286	12.54	-	44,589,019	27,791,642
PROPERTIES OUTSIDE COLOMBO						
Ceylon Cold Stores PLC						
Kaduwela.	22	334,804	27.35	-	1,817,815	1,551,254
Trincomalee.	3	19,071	1.06	-	317,250	300,295
Kotagala	6	13,354	-	0.71	97,531	-
Facets (Pvt) Ltd						
Ahungalla.	-	-	6.31	-	479,200	443,800
John Keells PLC						
17/1, Temple Road, Ekala, Ja-Ela.	1	1,200	3.77	-	422,730	392,535
John Keells Properties Ja-Ela (Pvt) Ltd						
No 525, Colombo Road, Kapuwatta, Ja-Ela.	1	144,631	6.60	-	2,088,000	2,038,487
John Keells Warehousing (Pvt) Ltd						
Muthurajawela.	3	146,743	-	6.19	389,521	356,047
Keells Food Products PLC						
41, Temple Road, Ekala, Ja-Ela.	8	52,698	3.00	1.00	388,748	361,896
Gonawala, Pannala.	4	41,166	3.86	4.08	346,964	347,652
Logipark International (Pvt) Ltd						
Muthurajawela.	-	-	-	9.00	2,456,826	582,176
Rajawella Holdings Ltd						
Mahaberiatenna, Kandy.	4	57,998	-	367.83	1,796,497	1,985,862
Tea Smallholder Factories PLC						
Broadlands.	14	61,040	4.14	-	101,627	83,345
Halwitigala.	14	56,422	9.61	-	80,136	69,544
Hingalgoda.	26	66,478	12.04	-	116,135	105,278
Karawita.	12	79,244	-	4.98	142,474	121,225
Kurupanawa.	22	57,135	12.12	-	104,272	90,383
Neluwa.	18	49,552	3.74	-	91,752	79,472
New Panawenna.	8	46,389	10.62	-	75,493	58,654
Peliyagoda.	1	31,629	-	0.98	440,324	424,605
	167	1,259,554	104.22	394.77	11,753,295	9,392,510

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Leasehold	Net book value 2022 Rs.'000s	2021 Rs.'000s
PROPERTIES OUTSIDE COLOMBO						
The Colombo Ice Company (Pvt) Ltd						
Awissawella.	9	182,937	-	9.30	1,694,226	1,699,430
J K Thudella Properties (Pvt) Ltd						
Tudella, Ja-Ela.	-	-	12.11	-	581,370	523,233
Union Assurance PLC						
No 06,Rajapihilla Road, Kurunegala.	1	27,904	0.20	-	347,578	313,856
Whittall Boustead Ltd						
150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	171,200	152,834
	178	1,474,738	116.99	404.07	14,547,669	12,081,863
HOTEL PROPERTIES						
Asian Hotels and Properties PLC						
Cinnamon Grand Premises, Colombo 2.	4	734,932	6.64	-	26,052,814	25,363,435
Crescat Boulevard, Colombo 2.	1	145,196	1.39	-	6,486,065	6,030,134
Ahungalla Holiday Resort (Pvt) Ltd						
Ahungalla.	-	-	6.51	-	319,100	295,250
Beruwala Holiday Resorts (Pvt) Ltd						
Cinnamon Bey, Beruwala.	9	460,515	10.82	-	4,145,822	3,884,246
Ceylon Holiday Resorts Ltd						
Bentota Beach Hotel, Bentota.	8	308,658	2.02	11.92	4,501,495	4,298,059
Fantasea World Investments (Pte) Ltd						
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	163	236,730	-	18.90	12,226,001	8,371,773
Habarana Lodge Ltd						
Cinnamon Lodge, Habarana.	79	101,162	-	34.00	755,646	662,512
Habarana Walk Inn Ltd						
Chaaya Village, Habarana.	84	90,479	-	9.34	318,116	280,376
Hikkaduwa Holiday Resort (Pvt) Ltd						
Chaaya Tranz, Hikkaduwa.	5	218,362	0.29	4.43	1,832,211	1,220,381
Kandy Walk Inn Ltd						
Cinnamon Citadel, Kandy.	6	128,302	5.33	-	1,745,394	1,605,598
Nuwara Eliya Holiday Resort (Pvt) Ltd						
Nuwara Eliya.	-	-	-	-	-	279,000
Resort Hotels Ltd						
Medway Estate, Nilaveli.	1	4,485	41.73	-	961,700	906,900
Trans Asia Hotels PLC						
Cinnamon Lake Side, Colombo 2.	2	371,611	-	7.65	6,304,361	6,148,708
Tranquility (Pte) Ltd						
Chaaya Island Dhonveli, Republic of Maldives.	146	261,327	-	17.16	26,067,067	17,491,160
Tranquility (Pte) Ltd						
Velifushi, Republic of Maldives.	145	263,512	-	13.22	8,616,321	6,404,531
Travel Club (Pte) Ltd						
Chaaya Reef Ellaidhoo, Republic of Maldives.	115	178,294	-	13.80	6,901,435	5,121,455
Trinco Holiday Resorts (Pvt) Ltd						
Chaaya Blu, Trincomalee.	9	120,910	13.24	-	1,484,335	1,358,613
Trinco Walk Inn Ltd						
Club Oceanic, Trincomalee.	-	-	14.64	-	392,500	369,200
Wirawila Walk Inn Ltd						
Randunukelle Estate, Wirawila.	-	-	25.15	-	95,600	89,300
Yala Village (Pvt) Ltd						
Cinnamon Wild, Tissamaharama.	78	106,052	-	9.34	498,109	487,108
	855	3,730,527	127.76	139.76	109,704,092	90,667,739
Improvements to Keells Super outlets on leased hold properties and lease rentals paid in advance	130	1,405,272	-	99.64	16,558,634	15,536,349
Consolidated Value of Land and Buildings, Right of Use Assets and Investment Property	1,177	7,278,823.00	257.29	643.47	185,399,414	146,077,593

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.

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.

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.

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 over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share over net asset value per share.

PRICE TO CASH EARNINGS
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 PBT/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 42.

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

Introduction

DNV represented by DNV Business Assurance Lanka (Private) Limited ('DNV') has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company', Corporate Registration Number PQ14) to carry out an independent assurance engagement of its non-financial/sustainability performance (qualitative and quantitative data) disclosed in the JKH's Annual Report 2021/22 ('the Report') in its printed and online formats. The sustainability performance in this Report covers disclosures corresponding to the reporting period 1 April 2021 – 31 March 2022 and related to material topics identified by JKH.

The sustainability disclosures have been prepared by JKH based on the Guiding Principles and Content Elements of the International <IR> Framework (January 2021, the '<IR> Framework') of the International Integrated Reporting Council ('IIRC'), the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards ('GRI Standards') and other frameworks to which JKH subscribes, to bring out the various Content Elements of the <IR> Framework as well as performance trends related to identified material topics.

The reporting topic boundaries for non-financial performance are based on the internal and external materiality assessment carried out by JKH covering identified material topics for the various business sectors of JKH, and is as brought out in the Report in the section 'Sustainability Integration, Stakeholder Engagement and Materiality'. 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.

We performed our assurance (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard v3, and DNV's assurance methodology VeriSustain^{TM1} . In doing so, we evaluated the qualitative and quantitative disclosures presented in the Report, together with using the Guiding Principles of the <IR> Framework, together with JKH's protocols for measuring, recording and reporting sustainability performance. Our assurance engagement was planned and carried out in February 2022 – May 2022.

The intended user of this assurance statement is the Management of JKH. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and this process did not involve engagement with any external stakeholders.

Responsibilities of the Management of JKH and of the Assurance Provider

The Management of the Company has 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 and also responsible for ensuring the maintenance and integrity of its website and referenced disclosures on sustainability performance and management approach. In performing this assurance work, DNV's responsibility is to the Management of JKH; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

DNV'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 material misstatements or errors. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

We did not come across limitations to scope of the agreed assurance agreement during our assurance process. The reported data on economic performance and other financial data of JKH within the Report are based on audited financial statements which have been subjected to a separate independent statutory audit process and is not included in our scope of work.

Basis of our Opinion

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion, and as part of the assurance engagement, a multi-disciplinary team of sustainability and assurance specialists conducted assessments and interactions with key internal stakeholders at JKH's Corporate Office in Colombo and sample operations of the Group based on DNV's sampling plan. We adopted a risk-based approach, that is, we concentrated our verification efforts on the issues of high material relevance to JKH and its key stakeholders. We undertook the following activities:

- Reviewed JKH's approach towards addressing the Guiding Principles and Content Elements of the <IR> Framework and the Principles for Defining Report Content and Quality as per GRI Standards (GRI 101: Foundation 2016), including stakeholder engagement and materiality determination processes;
- Carried out site assessments of sample operations of the Group - (i) JKH's Corporate Office, Vauxhall Street - Colombo (ii) Cinnamon Citadel – Kandy (iii) John Keells IT's Corporate Office - Colombo (iv) Keells Outlet – Hokandara (v) John Keells Logistics Warehouse at Thudella, and (vi) Keells Food Products at Ja Ela - to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. DNV was free to choose sites for conducting assessments;
- Conducted interviews with senior management teams and other representatives including data owners and decision-makers responsible for implementation of the Group's policies and management of sustainability issues as disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver JKH's sustainability objectives;
- Assessed the robustness of the data management systems, data accuracy, information flow and controls for the reported disclosures and specific performance data related to identified material topics, as well as the processes for data consolidation in context to the principle of Completeness as per DNV's VeriSustain;
- Examined and reviewed selected supporting evidences including documents, data and other information made available by JKH related to sustainability disclosures presented within the Report;

1 The VeriSustain protocol is available on request from www.dnv.com and is based on our professional experience, international assurance best practices including the International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and GRI's Reporting Principles. GRI's Principles for defining Report Content and Quality.

DNV

Independent Assurance Statement

- Performed an independent assessment of JKH's reporting against the reporting requirements for the GRI Standards: Core option of reporting, as well as the value creation disclosures related to the capitals identified by JKH and Content Elements of the <IR> Framework.

Opinion and Observations

On the basis of our assurance 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 the Guiding Principles and Content Elements of the <IR> Framework. This includes requirements for a Core option of reporting (GRI 102: General Disclosures 2016 and GRI 103: Management Approach 2016), representation of the material topics including chosen topic-specific disclosures (below) from the GRI Standards to bring out its sustainability performance, business model, disclosures on value creation through identified capitals, and related strategies:

- GRI 201: Economic Performance 2016 – 201-1, 201-3;
- GRI 203: Indirect Economic Impacts 2016 – 203-1;
- GRI 204; Procurement Practices 2016 – 204-1;
- 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 -2, 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.

Without affecting our assurance opinion, we also provide the following observations.

Principles of the AA1000 Accountability Principles Standard (2018)

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report explains how JKH engages with its stakeholders who have significant influence over or who significantly affect its operations, through ongoing formal and informal processes. The modes and frequencies, as well as the key concerns and expectations that arise from these engagements are brought out by JKH.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The Report describes the materiality assessment carried out by JKH covering the Group and its key business segments aimed at identifying significant environmental, social and governance topics which are important to its stakeholders and relevant to the Group's long-term value creation. The identified material topics and matters are prioritized based on impacts and relative importance, to form the overall report content. JKH confirms that its material topics and topic boundaries have not changes significantly from the previous reporting period.

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 organization responds to stakeholder issues.

The Report brings out descriptions of JKH's processes towards responding to its material topics including evaluation of its business strategies through descriptions of the Group's and individual business sectors' policies, management approach, targets, performance indicators and governance mechanisms related to identified material matters such as key outcomes and impacts, in its Annual Report and corporate website.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Impact

The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems.

The Report describes the key metrics and management processes followed by JKH for monitoring, measuring and evaluating the non-financial impacts related to its identified material matters and key stakeholder groups across its various businesses and significant value chain entities.

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 the qualitative and quantitative data included in

2 The DNV Code of Conduct is available on request from www.dnv.com

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. We observed that the Report presents a faithful description of the reported sustainability activities and goals achieved 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.

The Report brings out JKH's sustainability performance related to its identified material matters using selected GRI topic-specific Standards. The sustainability performance data is captured on a quarterly basis from across its businesses through its data management system, and audited internally. The majority of the data and information verified through our assessments at sampled operational sites and aggregated at the 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 these 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 requirements related to the <IR> framework including strategies and descriptions of business model and management approach towards creating value, and GRI General Disclosures and selected topic-specific Standards for bringing out its sustainability performance.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness with respect to scope, boundary and time.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The Report presents JKH's performance during the reporting period in a neutral manner so as to not unduly influence stakeholder opinions made on reported data and information, which includes descriptions of significant challenges and concerns related to stakeholders and business sectors, and overall macroeconomic environment and business outlook.

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. We were 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. We did not provide any services to JKH or its subsidiaries in the scope of assurance for the reporting period that could compromise the independence or impartiality of our work.

For DNV,

Vadakepatth , Nandkumar Digitally signed by Vadakepatth, Nandkumar Date: 2022.05.20 14:52:01 +05'30'	Wickramasinghe, Rohitha Digitally signed by Wickramasinghe, Rohitha Date: 2022.05.20 15:14:35 +05'30'	Lankalapalli, Bhargav Digitally signed by Lankalapalli, Bhargav Date: 2022.05.20 14:07:39 +05'30'
Vadakepatth Nandkumar Lead Verifier DNV Business Assurance India Private Limited, India.	Rohitha Wickramasinghe Operations Manager – Sri Lanka DNV Business Assurance Lanka (Private) Limited	Bhargav Lankalapalli Assurance Reviewer DNV Business Assurance India Private Limited, India

20th May 2022, Colombo, Sri Lanka.

AA1000
Licensed Report
000-10/V3-S75E8

DNV Business Assurance Lanka (Private) Limited is part of DNV – 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	Colombo West International Terminal (Pvt) Ltd **	Ports & Shipping Services	2021 (PV 00238709)	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475574	K.N.J.Balendra, J.G.A.Cooray, S.Mehta, S.Tripathy, U.M.Abhyankar	USD 30,000,000 34%
		Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd **	Port agency services, clearing & husbandary services and other support services	2021 (PV 00235035)	No 11, York Street, Colombo 01 T. (0)11 247 5420	A.Z.Hashim, K.C.Subasinghe, K.D.Weerasinghe, M.E.Paice, R.R.Narayanan	Rs. 27,420,000 60%
		Mackinnon Mackenzie & Co (Shipping) Ltd	Shipping Agency representation & freight forwarding services and acting as a NVOCC (Non-Vessel Operating Cargo Carrier)	1973 (PB 359)	No 11, York Street, Colombo 01 T. 2475420	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	Rs. 5,000,000 99.90%
		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, A.Z.Hashim, V.Agarwal, S.Iyer, S.Kekulawala	Rs.10,000,000 30%
		South Asia Gateway Terminals (Pvt) Ltd**	Ports & Shipping Services	1998 (PV 326)	Port of Colombo, P.O Box 141 Colombo 1 T. 2457500	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, D.P.M.T.Jayamanna, J.R.Goldner, Capt. R.C.W.M.N Keppetipola	Rs.3,788,485,900 42.19%
	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-Chairman A.Z. Hashim, S.P.Wall, N.N.B.Abdullah	Rs.20,000,020 50%
		John Keells Logistics (Pvt) Ltd	Integrated supply chain management	2006 PV318	No. 11, York Street, Colombo 1 T. 2475574	K.D.Weerasinghe, A.Z.Hashim	Rs.200,000,000 100%
		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	Rs.130,000,000 100%
		Lanka Marine Services (Pvt) Ltd	Importer & supplier of marine fuel oils	1993 (PV 475)	No. 4, Leyden Bastian Road, Colombo 1. T. 2475412-416	A.Z.Hashim, K.D.Weerasinghe, D.P.Gamlath	Rs.350,000,000 99.44%
		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	Rs.90,000 99.60%
		Saffron Aviation (Pvt) Ltd	Domestic air line operations	2012 (PV 84728)	No. 11, York Street, Colombo 1 T. 2475475	J.G.A.Cooray-Chairman, K.D.Weerasinghe, A.Z.Hashim, B.A.B.Goonetilleke, K.Balasundaram, H.D.Abeywickrema	Rs.622,179,000 40%
		Trans-ware Logistics (Pvt) Ltd*	Renting of storage space	1994 (PV 3134)	No. 11, York Street, Colombo 1. T. 2475537-9	K.C.Subasinghe, A.Z.Hashim, N.N.Mawilmada, K.D.Weerasinghe	Rs.220,000,080 100%
	Air Lines	Mack Air (Pvt) Ltd	General sales agents for airlines in Sri Lanka	1980 (PV 868)	No. 11, York Street, Colombo 1 T. 2475335	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	Rs.12,500,000 100%
		Mackinnons Travels (Pvt) Ltd	IATA accredited travel agent and travel related services	1971 (PV 1261)	No. 11, York Street, Colombo 1 T. 2318600	K.D.Weerasinghe, K.C.Subasinghe, A.Z.Hashim	Rs.5,000,000 100%

Sector	Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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	Rs.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	Rs.1,700,000,000 81.36%
CONSUMER FOODS	John Keells Foods India (Pvt) Ltd*	Marketing of Branded meat and convenience food products	2008 (U15122MH 2008 FTC 180902)	D6, 1st floor, Plot No. 35, Ashirwad Society, Opp. Bank of Baroda, Gorai 1, Borivali (West), Mumbai – 400092. T. 0091 1142591823, 0091 1126148048, 26151853, 2614736 Fax: +91-11-2614 5222	P.N.Fernando, D.P.Gamlath	Rs.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	Rs.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	Rs.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	Rs.5,000,000 100%
RETAIL	Logipark International (Pvt) Ltd	Integrated Supply Chain Management	2018 (PV 201610)	No.117, Chittampalam A. Gardiner Mawatha, Colombo - 02 T. 2306600, 2421101-8	A.Wanniarachchi, K.C.Subasinghe, A.Z.Hashim	Rs.. 1,058,750,000 81.36%
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	C.L.P.Gunawardane, K.C.Subasinghe, J.E.P.Kehelpannala, M.H.Singhawansa, M.R.Svensson	Rs.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	C.L.P.Gunawardane, K.C.Subasinghe, J.E.P.Kehelpannala, M.H.Singhawansa, M.R.Svensson	Rs.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	Rs.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 N.N.Mawilmada, C.L.P.Gunewardane, K.Balasundaram	Rs.132,288,080 42.41%

Group Directory

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
LEISURE	City Hotels	Asian Hotels and Properties PLC - Cinnamon Grand.	Owner & operator of the five star city hotel "Cinnamon Grand"	1993 (PQ 2)	No.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, J.Durairatnam, A.S.De Zoysa, A.Nanayakkara	Rs.3,345,118,012 78.56%
		Capitol Hotel Holdings Ltd**	Developer of City Business Hotels	2012 (PB 5013)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	M.S.Weerasekera-Chairman, M.R.Svensson, K.C.Subasinghe, D.A.Kannangara, M.D.R.Gunatilleke, L.C.H.Leow, A.J.Pathmarajah, M.D.M.Gunatileke	Rs.1,168,800,100 19.47%
		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, J.C.Ponniah, H.A.J De S.Wijeyeratne	Rs.1,112,879,750 82.74%
	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	Rs.133,490,000 80.32%
		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	Rs.2,338,150,000 79.78%
		Ceylon Holiday Resorts Ltd	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	Rs.2,845,469,318 79.60%
		Habarana Lodge Ltd	Owner & operator of "Cinnamon Lodge Habarana" 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	Rs.341,555,262 78.99%
		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	Rs.126,350,000 79.34%
		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	Rs.1,062,635,460 79.60%
		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	Rs.1,051,400,493 32.13%
		International Tourists and Hoteliers Ltd*	Owner of Cinnamon Beruwala Holiday Resorts (Pvt) Limited	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	Rs.1,939,760,925 79.78%
		Kandy Walk Inn Ltd	Owner & operator of "Cinnamon Citadel Kandy" 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	Rs.115,182,009 79.03%
		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	Rs.325,024,820 80.32%
		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	Rs.35,701,762 80.32%

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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	Rs.8,849,150 79.60%
		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	Rs.357,000,000 80.32%
		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	Rs.119,850,070 80.32%
		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	Rs.20,734,150 80.32%
		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	Rs.319,427,600 75.33%
	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	Rs.341,573,190 80.32%
		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	Rs.3,978,671,681 80.32%
		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	Rs.552,519,608 80.32%
		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	Rs.143,172,000 80.32%
	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	Rs.200,000 80.32%
		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	Rs.6,492,000 98.35%
		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	Rs.51,374,200 98.05%
		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	Rs.250,410,000 100%

Group Directory

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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.77 Galle Road, Colombo. 03 T. 0112152100	K.N.J.Balendra-Chairman/Managing Director, J.G.A.Cooray, C.L.P.Gunawardane, S.Rajendra, M.R.Svensson, J.Durairatnam, A.S.De Zoysa, A.Nanayakkara	Rs.3,345,118,012 78.56%
		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	Rs.1,000 61%
		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	Rs.1,403,970,000 50%
		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	Rs.3,636,900,000 50%
		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	Rs.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	Rs.24,964,638,930 100%
		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,	Rs.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	Rs.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	Rs.925,200,000 100%
		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,	Rs.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	Rs.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)	Rs.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, N.W.R.Wijewantha	Rs.21,716,553,910 100%
		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	Rs.7,140,071,956 98.59%
		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,	Rs.99,188,800 100%

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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, J.P.Gomes, R.M.Prabhakar	Rs.3,131,949,000 19.80%
FINANCIAL SERVICES		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	Rs.57,750,000 90.04%
FINANCIAL SERVICES		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, 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, R.Shanmuganathan, C.K.Hettiarachchi	Rs.9,408,135,000 32.57%
FINANCIAL SERVICES		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	Rs.1,000,000,000 90%
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	Rs.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	Rs.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	Rs.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	Rs.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	Rs.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	Rs.152,000,000 86.90%
OTHERS	Plantation Services	John Keells (Teas) Ltd	Manager of seven 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	Rs.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	Rs.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	Rs.150,000,000 37.62%

Group Directory

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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	Rs.150,000 100%
OTHERS	Centre & Others	J K Packaging (Pvt) Ltd*	Printing and packaging services provider for the export market	1979 (PV 1265)	No. 4, Leyden Bastian Road, Colombo 1 T. 2475308	K.C.Subasinghe, K.D.Weerasinghe, D.P.Gamlath	Rs.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	Rs.73,187,860,511
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	Rs.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	Rs.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	Rs.160,000 100%
OTHERS	Centre & Others	Mortlake (Pvt) Ltd*	Investment company	1961 (PV 756)	No. 4, Leyden Bastian Road, Colombo 1 T. 2475308	K.M.Thanthirige, K.C.Subasinghe	Rs.. 5,500 100%

* 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 Rs.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	252						
b)								
i. Names of the resident entities	Group Directory	306-312						
ii. Primary activities of the organization	Group Directory	306-312						
iii. Number of employees			14,017	-	-	683	-	14,700
iv. Revenues from third-party sales			217,002,011	-	-	10,727,357	-	218,074,746
v. Revenues from intra-group transactions with other tax jurisdictions								
vi. Profit/loss before tax			27,078,898	(1,590)	11,081	232,580	3,523	27,324,493
vii. Tangible assets other than cash and cash equivalents			368,657,566	-	-	56,923,796	232	425,581,593
viii. Corporate income tax paid on a cash basis	Not Applicable							
ix. Corporate income tax accrued on profit/loss			(3,226,847)	-	(2,585)	(23,093)	(197)	(3,252,722)
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	250						
c) The time period covered by the information reported in Disclosure 207-4.	Year ended 31st March 2022							
d) Capital expenditure incurred during the year			6,421,157	-	28	205,431	160	6,626,776
e) Community contribution			157,043	-	-	1,790	-	158,833

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GRI 102: General Disclosures 2016					
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	102-3 Location of headquarters	5			
	102-4 Location of operations	5			
	102-5 Ownership and legal form	5			
	102-6 Markets served	5			
	102-7 Scale of the organisation	5, 51, 56			
	102-8 Information on employees and other workers	56 - 61			
	102-9 Supply chain	11 of https://keells.com/resource/Management_Approach_Disclosures_2021_22.pdf, 78, 87-88, 98-99, 112, 120, 128, 135			
	102-10 Significant changes to the organisation and its supply chain	19 - 34			
	102-11 Precautionary Principle or approach	3 of Risks, Opportunities and Internal Controls at https://keells.com/resource/governance/John-Keells-Holdings-PLC-AR-2021_22-Risk.pdf			
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	102-14 Statement from senior decision-maker	8 -18			
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	102-16 Values, principles, standards, and norms of behaviour	175			
Governance					
	102-18 Governance structure	177			
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	102-40 List of stakeholder groups	4-5 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20 AR%202021_22- Sustainability-and-Materiality.pdf			
	102-41 Collective bargaining agreements	61			
	102-42 Identifying and selecting stakeholders	4 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20 AR%202021_22- 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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
	102-44 Key topics and concerns raised	5-6 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20 AR%202021_22- Sustainability-and-Materiality.pdf			

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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%20 AR%202021_22- 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%20 AR%202021_22- 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%20 AR%202021_22- 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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
	102-50 Reporting period	3			
	102-51 Date of most recent report	3 of Sustainability Integration, Stakeholder Engagement & Materiality at https://keells.com/resource/governance/John-Keells-Holdings-PLC%20 AR%202021_22- Sustainability-and-Materiality.pdf			
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	103-2 The management approach and its components	4 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
	103-3 Evaluation of the management approach	4 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
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	103-3 Evaluation of the management approach	4 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			

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	201-3 Defined benefit plan obligations and other retirement plans	61			
Indirect Economic Impacts					
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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
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GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	62			
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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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
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	207-2 Tax governance, control, and risk management	24-25 of https://keells.com/resource/governance/John-KeellsHoldings-PLC-AR-2021_22-Corporate-Governance.pdf			
	207-3 Stakeholder engagement and management of concerns related to tax	24-25 of https://keells.com/resource/governance/John-KeellsHoldings-PLC-AR-2021_22-Corporate-Governance.pdf			
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	403-9 Work-related injuries	61			

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Training and Education					
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	103-2 The management approach and its components	7-8 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
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	"404-3 Percentage of employees receiving regular performance and career development reviews"	56			
Diversity and equal opportunity					
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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
	103-2 The management approach and its components	7-8 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
	103-3 Evaluation of the management approach	10 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	57 - 58			
Freedom of association and collective bargaining					
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	103-2 The management approach and its components	7-8 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
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GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	57			
Child Labour					
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%20 AR%202021_22- Sustainability-and-Materiality.pdf			
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	103-3 Evaluation of the management approach	10 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	56			

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	103-3 Evaluation of the management approach	10 of https://keells.com/resource/Management_Approach_Disclosures_2021_22.pdf			
GRI 409: Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	56			
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GRI 413: Local communities 2016	"413-1 Operations with local community engagement, impact assessments, and development programs"	62 - 66			
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GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	62			
Customer Health and Safety					
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	103-2 The management approach and its components	14 of https://keells.com/resource/Management_Approach_Disclosures_2021_22.pdf			
	103-3 Evaluation of the management approach	14 of https://keells.com/resource/Management_Approach_Disclosures_2021_22.pdf			
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GRI Standard	Disclosure	Page number(s) and/ or URL(s)	Omission		
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Marketing and Labelling					
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	103-2 The management approach and its components	14 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
	103-3 Evaluation of the management approach	14 of https://keells.com/resource/Management_Approach_ Disclosures_2021_22.pdf			
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling	62			
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GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	62			

Notice of Meeting - Annual General Meeting

Notice is hereby given that the Forty Third Annual General Meeting (AGM) of John Keells Holdings PLC will be held as a virtual meeting on 24 June 2022 at 10:00 a.m.

The business to be brought before the Meeting will be to:

1. read the Notice convening the Meeting.
2. receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2022 with the Report of the Auditors thereon.
3. re-elect as Director, Dr. S S H Wijayasuriya who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Dr. S S H Wijayasuriya is contained in the Corporate Governance Commentary of the Annual Report.
4. re-elect as Director, Mr. J G A Cooray, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in the Corporate Governance Commentary of the Annual Report.
5. re-appoint the Auditors and to authorise the Directors to determine their remuneration.
6. consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report of John Keells Holdings PLC for 2021/22, is available on the:

(1) Corporate Website – *https://keells.com/annual-reports*; and

(2) The Colombo Stock Exchange - *https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000*.

Members may also access the Annual Report and Financial Statements on their mobile phones by scanning the following QR code.

Should Members wish to obtain a hard copy of the Annual Report, they may send a request to the Company by filling the request form attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days, subject to the prevailing circumstances at the time, from the date of receipt of the request.

By Order of the Board
John Keells Holdings PLC

Keells Consultants (Private) Limited
Secretaries

23 May 2022

Notes:

i. A Member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a Member of the Company.

iii. A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.

iv. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy

v. In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company not less than 48 hours before the Meeting.

vi. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the Meeting, only the Member's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

Notes

Form of Proxy - Annual General Meeting

I/We .... of

.... being a member/s of John Keells Holdings PLC hereby appoint

.... of

.... or failing him/her

MR. KRISHAN NIRAJ JAYASEKARA BALENDRA	or failing him
MR. JOSEPH GIHAN ADISHA COORAY	or failing him
MR. MOHAMED ASHROFF OMAR	or failing him
MR. DAMIEN AMAL CABRAAL	or failing him
MR. ANTHONY NIHAL FONSEKA	or failing him
MS. MARIE PREMILA PERERA	or failing her
DR. SHRIDHIR SARIPUTTA HANSA WIJAYASURIYA	

as my/our proxy to represent me/us and vote on my/our behalf at the Forty Third Annual General Meeting of the Company to be held on 24 June 2022 at 10:00a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Director, Dr. S S H Wijayasuriya, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as a Director, Mr. J G A Cooray, who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-appoint the Auditors and to authorise the Directors to determine their remuneration.		

Signed on this .... day of .... Two Thousand and Twenty Two.

....

Signature/s of Shareholder/s

NOTE:

INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, or forwarded by fax to +94 11 243 9037, or e-mailed to ***keellsconsultants@keells.com*** no later than 48 hours before the time appointed for the convening of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : ....

Address : ....

....

....

Jointly with : ....

Share Folio No. : ....

NIC No. : ....

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

Directors
K N J Balendra - Chairman-CEO
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

Project Risk Assessment Committee
S S H Wijayasuriya - Chairman
K N J Balendra
J G A Cooray
M P Perera

Registered Office of the Company
117 Sir Chittampalam A. Gardiner Mawatha
Colombo 2, Sri Lanka
Telephone : +94 11 230 6000
Internet : www.keells.com
Email : jkh@keells.com

Secretaries
Keells Consultants (Private) Limited
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6245
Facsimile : +94 11 243 9037
Email : keellsconsultants@keells.com

Investor Relations
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha
Colombo 2, Sri Lanka
Telephone : +94 11 230 6170
Facsimile : +94 11 230 6160
Email : investor.relations@keells.com

Sustainability, Enterprise Risk Management and Group Initiatives
186 Vauxhall Street
Colombo 2, Sri Lanka
Telephone : +94 11 230 6182
Facsimile : +94 11 230 6249
Email : sustainability@keells.com

Contact for Media
Corporate Communications Division
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha
Colombo 2, Sri Lanka
Telephone : +94 11 230 6191
Email : jkh@keells.com

Auditors
Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

Bankers for the Company
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G.
DFCC Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
Nations Trust Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A. New York

Notes

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Digital Plates & Printing by Softwave Printing and Publishing (Pvt) Ltd

John
Keells
Group

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