John Keells Group

ENDURING THE TIMES

ENDURING THE TIMES

For 150 years, John Keells has demonstrated prudence and responsibility in building a portfolio of businesses selected to align with key economic sectors of the country and growing to become the largest diversified conglomerate in Sri Lanka. Our core strength is the exceptionally talented pool of employees who bring a variety of skills, experience and innovative ideas to the work we do each day.

As a benchmark of corporate excellence in Sri Lanka, our multifaceted business operations have made us both a partner of value for our many stakeholders and a player of distinction in the growth story of our nation. Today, we continue to shape and transform Sri Lanka and Sri Lankan lives through our unmatched products and services and legendary local brands benchmarked to international standards, including Cinnamon Hotels & Resorts, Elephant House, Keells and Union Assurance among a host of others.

This Annual Report looks at what we have achieved after 150 years of steadfast service to the nation, including our investments in landmark infrastructure projects such as South Asia Gateway Terminals—the first private port terminal in Sri Lanka and Cinnamon Life—an iconic project that will redefine the Colombo skyline. These internationally recognised ventures saw the transfer of unrivalled global expertise and skills to Sri Lanka.

We also describe how we continue to help communities, investing deeply into our supply chain while guaranteeing fair prices and empowering local farming communities, creating sustainable partnerships that will last for years to come. As we look to the future, we are very aware that our success depends on how we shoulder our responsibility to uplift the nation and share value, ensuring that corporate social responsibility and sustainability lie at the heart of all that we do.

Looking back, we are thankful for one and a half centuries of steady success, even as we eagerly look forward to the 150 years that lie ahead. In all of this, we are proud to have walked in lock-step with Sri Lanka, evolving and expanding your Company as the country developed and grew. That spirit of partnership has helped us weather many storms over the years and now it is tested yet again as the nation unites to navigate this period of unprecedented challenges, with severe impacts both here and across the world. Yet we know that together with all our stakeholders—our shareholders, partners, employees, customers and the Government of Sri Lanka—we shall endure these difficult times and come out stronger than before, as we go into the future with confidence, determination and fortitude; Enduring the times as we have done over the past 150 years.

JOHN KEELLS HOLDINGS PLC

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NAVIGATING THIS REPORT

This Annual Report is also available on our website:
www.keells.com/annual-reports

Reporting Guides

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

Capital Guides

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

Governance

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Supplementary Information

ABOUT US

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

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

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

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

INTRODUCTION TO THE REPORT

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

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

STANDARDS AND PRINCIPLES

Reporting

- International <IR> Framework of the IIRC

Governance, Risk Management and Operations

- Laws and regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars
- Code of Best Practice on 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)
- 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
- UK Corporate Governance Code (formerly known as the Combined Code of 2010)

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
- Aligned to United Nations Sustainable Development Goals
- Operates in conformity with the Principles of the United Nations Global Compact
- Environmental, Social and Governance (ESG) disclosures through the <IR> framework and operations in conformity with the Principles of the United Nations Global Compact

This Report reflects on:

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

In keeping this Report as 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 2019/20 is a reflection of the Group's integrated approach of management during the period from 1 April 2019 to 31 March 2020. Material events post this reporting period, up to the sign off date by the Board of Directors on 21 May 2020, have been included in this Report, ensuring a more relevant and up-to-date Report.

For the purpose of reporting its sustainability performance, all Group subsidiaries and equity accounted investees have been considered, barring companies in which the Group does not exercise significant management control, non-operational companies, managing companies, companies that rent out office spaces, investment companies and companies owning only land, which have been clearly identified in the reporting boundary specified in the Group Directory 2019/20. The scope will also seek to report on companies over which it does not exercise significant management control, where relevant.

INTEGRATED REPORTING AND GUIDING PRINCIPLES

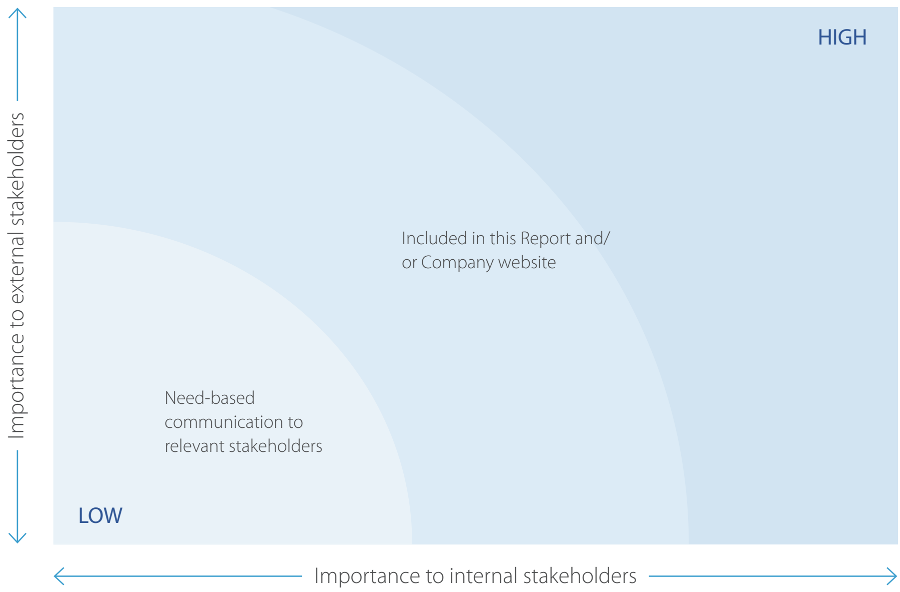
The Group has strived to deliver a comprehensive, balanced and relevant report, while adhering to the recommendations of the IIRC. The seven guiding principles in integrated reporting, as depicted, have been given due consideration when preparing and presenting this Report.

DETERMINING MATERIALITY

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

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

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



A detailed discussion on determining materiality is available on the Corporate website.

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

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.

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 flip 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.

Contact with Stakeholders

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

OUR BUSINESS MODEL

VISION: Building businesses that are leaders in the region

Fundamental forms of Capital deployed | Value creation levers

STAKEHOLDER RETURNS AND ENGAGEMENT

INPUTS

FINANCIAL AND MANUFACTURED CAPITAL

- Shareholder funds and debt
- Cash flow from operations
- Land bank
- Machinery and operations

NATURAL CAPITAL

- Energy
- Water
- Other natural resources

HUMAN CAPITAL

- Employee diversity
- Experience
- Skills and competencies

SOCIAL AND RELATIONSHIP CAPITAL

- Dedicated CSR team
- Community development
- Investor relations and stakeholder management
- Health and safety initiatives

INTELLECTUAL CAPITAL

- Brand Equity and Stewardship
- Research and development
- Technological expertise
- Digital Infrastructure

ACTIVITIES

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, including Information Technology and Plantation Services

Financial and Manufactured Capital

- Effective and responsible investment of shareholder funds
- Business development activities
- Cost reduction initiatives

Natural Capital

- Adoption of Global Goals
- 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

- 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

- Stakeholder engagement in community 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

- Development of intangible infrastructure, processes and procedures to improve efficiency
- New product development
- Innovation

VALUES: | CARING | EXCELLENCE

Transformed Capital that produces stakeholder value

	OUTPUTS		OUTCOMES
▪ Shareholder returns and dividends ▪ Payments to other stakeholders ▪ Share price appreciation	Rs.217 billion Shareholder funds Rs.437 billion Group assets	Rs.55 billion Net debt (cash) Rs.152 billion Market capitalisation	▪ Financial stability ▪ Financial growth ▪ Creation of wealth
▪ Disposal of all effluent and waste responsibly ▪ Reduction of carbon footprint ▪ Reduced resource consumption through better monitoring	0.7 MT Carbon footprint per Rs.million of revenue 37% Waste recycled/reused by Group companies and through third party contractors	13.47 m³ 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	77% Employee retention rate 100% Employees receiving performance reviews	44 hours Average hours of training per employee 69 : 31 Male : Female staff ratio	▪ Alignment of workforce with Group vision ▪ Profitable businesses through improved productivity and efficiency
▪ Community skills, livelihood and infrastructure development ▪ Well informed and sound investment decisions ▪ Better supplier/distributor and stakeholder relations	833,234 Persons impacted by community engagements	79% of purchases from suppliers within Sri Lanka	▪ Brand visibility and reputation ▪ Better skilled and more productive workforce ▪ Policy implementation within the organisation and among relevant stakeholder groups ▪ Strengthened supply chain ▪ Adherence to UN SDGs and UN Global Compact Principles
▪ Patents ▪ Copyrights	Rs.3.3 billion Value of intangible assets ▪ LMD's Most Respected Entity for the 14th year ▪ Ranked among the 10 Most Admired Companies in Sri Lanka (ICCSL and CIMA) Awards and accolades	11 No. of start-ups under incubation	▪ Evolving businesses to suit the ever-changing, dynamic consumer ▪ An entity better prepared to face disruptive business models

ALIGNMENT WITH SDGS

TRUST | INNOVATION | INTEGRITY

ORGANISATIONAL STRUCTURE

TRANSPORTATION

- Transportation
- Ports and Shipping

CONSUMER FOODS

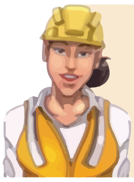
- Beverages
- Frozen Confectionery
- Convenience Foods

RETAIL

- Supermarkets
- Office Automation

LEISURE

- City Hotels
- Resorts
- Destination Management
- Hotel Management



PROPERTY

- Property Development
- Real Estate

FINANCIAL SERVICES

- Insurance
- Banking
- Stock Broking

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

- Information Technology
- Plantation Services
- Other

CENTRE FUNCTIONS

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

CHAIRMAN'S MESSAGE

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2020.

While we have been in the midst of unprecedented circumstances due to the ongoing COVID-19 pandemic, we have, parallelly, ensured that our commitment to financial reporting transparency and timely disclosure is maintained despite the restricted operating environment which prevailed in the country until 11 May 2020.

This Report has been prepared in conformance with the Integrated Reporting Framework of the International Integrated Reporting Council. 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 current pandemic.

The year 2020 marks a significant milestone for the John Keells Group as we commemorate 150 years of being in business and contributing towards the development of the country. This financial year has been one of the most challenging ones in the recent past due to the events of Easter Sunday and the outbreak of a global pandemic. Whilst we are confident that our investments, particularly in the recent past, has positioned us well for the next phase of growth, and, as a Group, our future, looks exciting, we remain confident that, as always, we have the strength and resolve to keep moving forward through this period of unprecedented challenges, as we have done, 'enduring the times', over the past 150 years.

From a macroeconomic perspective, heightened domestic vulnerabilities, such as lower earnings from tourism on the back of the Easter Sunday terror attacks and moderation of worker remittances exerted pressure on the economy. As a result, consumer discretionary spending remained subdued in the first three quarters of the financial year due to the lacklustre performance of the economy and dampened consumer and investor confidence. However, discretionary spending witnessed a rebound from the fourth quarter of the year under review where the performance of our consumer businesses showed strong momentum while bookings in the Leisure business had recovered close to the levels seen prior to the Easter Sunday attacks. Unfortunately, this recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed across the country, including the closure of the international airport for arrivals, from March 2020 onwards. However, with the resumption of activity across the country post the easing of curfew restrictions, we are seeing early signs of an encouraging recovery of consumer activity which should be positive for our consumer-focused businesses such as Consumer Foods, Retail, Logistics and Insurance. A more detailed discussion on the impacts of the COVID-19 pandemic is found later in this Message.

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

- The Consumer Foods, Retail and Property industry groups recorded a growth in profits.
- The Group's year-on-year performance was impacted by the downturn in the Group's Sri Lankan Leisure business due to the Easter Sunday terror attacks, lower finance income as a result of the deployment of cash in new investments and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year.
- The Group's Bunkering business recorded a strong growth in profits driven by improved margins. South Asia Gateway Terminal (SAGT), the Group's Ports and Shipping business, became liable for corporate income tax during the year under review, impacting profitability.
- Consumer Foods witnessed growth on account of an improved performance in the Beverages and Frozen Confectionery businesses driven by growth in volumes and expansion of margins due to a better sales mix.
- The Supermarket business witnessed a strong rebound in profits as it continued to gain market share, supported by a notable contribution from new outlets and strong growth in customer footfall.
- In the aftermath of the Easter Sunday terror attacks, both the City Hotels sector and the Sri Lankan Resorts segment recorded a decline in occupancy and average room rates. However, occupancy at our hotels recovered faster than expected with forward bookings maintaining an upward trend where occupancy in the peak season was in line with the previous year, albeit at a moderately lower room rate. Whilst the tourist arrivals to the country had recovered close to pre-incident levels, developments surrounding the global spread of COVID-19 derailed this momentum.
- The foundation work of the 'Tri-Zen' residential development project was completed ahead of schedule. The super structure work is currently in progress. 'Tri-Zen' recorded encouraging sales with 262 apartments sold as at 31 March 2020, outperforming the market.
- The finishing works of the 'Cinnamon Life' Residential and Office Towers are nearing completion whilst the interior works of the Hotel and Retail space are on-going.

(Rs.'000)	Recurring EBITDA*	
	2019/20	2018/19**
Transportation	4,417,493	4,563,146
Consumer Foods	3,369,880	2,894,586
Retail	5,109,601	2,890,342
Leisure	2,341,398	5,301,807
Property	567,886	322,774
Financial Services	2,988,190	3,358,809

**EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax.*

*** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

CHAIRMAN'S MESSAGE

GROUP REVENUE, INCLUSIVE OF EQUITY ACCOUNTED INVESTEES

Rs.158.92bn

2018/19: Rs.153.20 bn

4%

For the financial year 2019/20, Group revenue increased by 3 per cent to Rs.140.04 billion while recurring Group EBITDA decreased by 14 per cent to Rs.22.06 billion. As elaborated in the quarterly earnings releases in 2019/20, effective 1 April 2019, the Group adopted SLFRS 16 – the accounting standard on Leases - which primarily impacts the accounting treatment of the Group's operating leases and lease commitments, particularly in the Supermarket business and the Maldivian Resorts segment. To depict the underlying performance of the Group, the ensuing discussion is based on an adjusted EBITDA, where the lease expense in EBITDA in 2018/19 is comparatively adjusted on a like-with-like basis against the EBITDA in 2019/20. The decline in the recurring EBITDA was mainly on account of the downturn in the Group's Sri Lankan Leisure business due to the Easter Sunday terror attacks, decrease in interest income on account of lower cash and cash equivalents at the Holding Company due to the planned equity infusions to fund the 'Cinnamon Life' project, and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year. The recurring Group profit before tax (PBT) decreased by 28 per cent to Rs.12.28 billion while the recurring profit attributable to equity holders of the parent decreased by 26 per cent to Rs.9.33 billion for the financial year ended 31 March 2020 due to the same reasons as explained above.

"At the onset of the crisis, in order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place."

IMPACTS OF THE COVID-19 PANDEMIC

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of 'work from home' for the general public, post which an island-wide curfew was imposed on 20 March 2020, with restrictions waived only for services classified as 'essential'. After a stringent lockdown period of over a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for two high risk districts, including the Colombo district, although business activity has resumed across the country. I wish to recognise and commend the relevant authorities for the aggressive and proactive efforts undertaken to contain the spread of the virus, and it is encouraging that there is no indication of community spread in the country.

Given the stringent lockdown measures, the different businesses of the Group actioned their respective business continuity plans to ensure that activities were maintained, to the extent possible. The Group has evaluated all guidelines issued by the Government as well as international best practice and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

At the onset of the crisis, in order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. Whilst the assumptions vary across the businesses, the Group is satisfied of the ability of the businesses to manage its operations even under an extreme stress-tested scenario.

In addition, the Group has initiated and implemented a series of measures with a view to focusing on cash management and liquidity, which include the adoption of weekly dashboards which cover financial and non-financial KPIs and revised targets, monitoring of weekly cash targets and spend control initiatives including a freeze on all non-essential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent across the Group until June 2020, subject to further review depending on the macro and operating environment. The Government of Sri Lanka has also announced certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities for eligible industries. Where relevant, Group companies have applied for such relief measures which will help ease the financial position further.

While the forecasted liquidity position of the Group is comfortable, we are of the view that undertaking proactive steps ahead of further stresses will enable maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory.

The most recent release by the Government states that curfew restrictions in the two districts will remain, with restrictions being eased off during the day for the gradual commencement of economic activity by the public and private sectors. Although it is too soon to make an assessment, we have seen a smooth transition with the resumption of business activity where we are already seeing a positive momentum. Given the volatile and evolving landscape, the Group will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. At this moment, the focus is on transitioning to back-to-work arrangements ensuring all health and safety protocols are in place.

The Annual Report contains discussions on the macroeconomic factors and its impact on our businesses as well as a detailed discussion and analysis of each of the industry groups. As such, I will focus on a high-level summation of the performance of each industry group during the financial year 2019/20, including the impacts of COVID-19 on the businesses.

TRANSPORTATION

The Transportation industry group recurring EBITDA of Rs.4.42 billion in 2019/20 is a marginal decrease of 3 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.4.56 billion]. The Group's Bunkering business, Lanka Marine Services (LMS), recorded a strong growth in profits driven by improved margins. However, profitability was impacted by the Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT), which became liable for corporate income tax during the year under review. The performance of SAGT was further impacted by flat volumes compared to the previous year due to the disruptions in port operations as a result of the COVID-19 pandemic and due to the industrial labour dispute in September 2019. The income tax exemptions granted by the Board of Investment for SAGT expired in September 2019.

Whilst the initial impact on volumes in the Colombo port was from the lockdown in China and subsequently from India, given the higher reliance on transshipment volumes, the degree of impact to overall port operations will largely depend on how regional trade will evolve post recovery. However, the recovery of trade in China has been encouraging where we are seeing a pick-up in vessel movement, although volumes in Colombo will also depend on trade in India and the South Asian region, given that a majority of transshipment volume for the Colombo port emanates from this region.

The reduction in global trade activity and vessel movements is expected to impact volumes in the Bunkering business in the short-term while the volatility in bunker fuel prices will also need to be monitored given the sharp fall in prices witnessed in March 2020. The business will assess the outlook for oil prices when placing new orders given the lead time of 2-3 weeks for delivery of cargo.

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

RECURRING EBITDA

Rs.4.42bn

Transportation industry group 3%

CONSUMER FOODS

The Consumer Foods industry group recurring EBITDA of Rs.3.37 billion in 2019/20 is an increase of 16 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.2.89 billion]. The increase in profitability is mainly on account of the performance of the Beverage business and the Impulse segment of the Frozen Confectionery business.

The year under review represents a full year of operations at the new ice cream plant in Seethawaka, enabling the business to scale its product range and volumes at higher operational efficiencies. During the year, six new impulse ice cream varieties were launched, gaining high acceptance in the market and enabling higher penetration into the category. The profitability of the Beverages business recorded an increase driven by growth in volumes and margin expansion in certain SKUs. However, volume growth momentum in both businesses were impacted by disruptions to distribution due to adverse weather conditions in many parts of the country during the second and third quarter of the financial year and curfew imposed in light of the COVID-19 pandemic from March 2020 where momentum in the final few weeks of the month, which witnesses a seasonal peak in sales, was disrupted.

During the year under review, keeping in line with evolving consumer trends, lifestyles and the emphasis on nutrition and convenience, Keells Food Products (KFP) commenced production of a pioneering Instant Rice, branded 'Ezy rice', an affordable, easy-to-prepare and ready-to eat single serve product. Whilst KFP maintained its volumes and market leadership position in processed meats against last year, profitability was impacted by an increase in advertising and promotional expenses, on account of the launch of 'Ezy rice' and escalations in other raw material prices.

Whilst volumes across the beverage, frozen confectionery and convenience foods markets has declined sharply due to the imposition of curfew and restrictions in movement, manufacturing activities at our factories have commenced gradually with priority being the health and safety measures of our staff. As we have seen in areas where curfew has been eased previously, we expect volumes to improve with the resumption of activity in Colombo and other districts, while the outlook beyond that will depend on the impact on the overall economy and resultant impacts on consumer spend.

"The year under review represents a full year of operations at the new ice cream plant in Seethawaka, enabling the business to scale its product range and volumes at higher operational efficiencies. During the year, six new impulse ice cream varieties were launched, gaining high acceptance in the market and enabling higher penetration into the category."

RECURRING EBITDA

Rs.3.37bn

Consumer Foods industry group 16%

RETAIL

The Retail industry group recurring EBITDA of Rs.5.11 billion in 2019/20 is an increase of 77 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.2.89 billion].

The Supermarket business recorded a recurring EBITDA of Rs.4.27 billion in 2019/20, an increase of 80 per cent against the previous financial year [2018/19: Rs.2.37 billion]. The business recorded a strong growth in profitability driven by a notable contribution from new outlets and a robust growth in customer footfall which contributed towards an increase in same store sales. Average basket values (ABV) increased during the year, reversing the trend of a period of prolonged stagnation, on the back of a recovery in discretionary spending towards the beginning of the fourth quarter. It should be noted that the profits of the Supermarket business recorded an increase despite the negative impacts arising from the adoption of SLFRS 16 - Leases. As discussed in the quarterly earnings releases in 2019/20, the charge to the Income Statement pertaining to the leases of the business will be higher during the beginning of the recognition period and will gradually taper off as the total value of the asset is reached. There are currently over 120 operational leases under the business.

During the year under review, the Supermarket business outperformed the market, increasing its market share in terms of revenue, primarily driven by the aforementioned footfall growth following

CHAIRMAN'S MESSAGE

the re-branding in 2018/19, significant outlet expansion and various product and process improvements implemented by the business during the year. Whilst 2019/20 marks the first full year of operations post the rebranding for the business, 'Keells' was placed amongst Sri Lanka's top ten most valuable brands for the first time and was awarded the most 'Valuable Supermarket Brand' for the second consecutive year by Brand Finance in 2020.

During the year under review, fifteen new outlets were opened, increasing the total store count to 109 as at 31 March 2020. Considering the significant disruption to operations in the current operating environment, the planned outlet roll-out has been temporarily suspended and will be re-evaluated once operations settle.

As part of the Group's advanced analytics transformation journey, the business rolled-out its advanced analytics transformation programme where several well-defined advanced analytics use cases focused on the Supermarket business were piloted and implemented. Preliminary results of these pilot projects, aimed at areas such as promotion effectiveness, personalisation, productivity improvements, rostering, are promising and augur well for the business in the medium-term given that the financial impact of the pilot use cases are in excess of planned baseline estimates.

Although supermarket services are classified as an essential service by the Government, operations of our outlets during the curfew period have been largely limited to delivery only. Revenue in the immediate-term was negatively impacted as most of our outlets are located in high-risk districts and were closed to the public up until the most recent announcement of the Government's easing of restrictions in movement in the high-risk districts. However, with the level of activity gradually increasing, it is encouraging to witness a significant rebound in our sales. We will continue to ramp up our capability in serving our customers through online delivery platforms and upgrading our infrastructure and user experience through an omnichannel approach while ensuring we expand our capability for order fulfilment and delivery. We also remain focused on ensuring the continued health and safety of our customers and staff and have taken steps to adhere to the new safety guideline issued by Government and health authorities.

The Office Automation business recorded an improvement in profitability on account of volume growth in the mobile phone category. The business was impacted by significant exchange losses in 2018/19.

RECURRING EBITDA

Rs.5.11bn

Retail industry group

77%

"With the level of activity gradually increasing, it is encouraging to witness a significant rebound in our sales. We will continue to ramp up our capability in serving our customers through online delivery platforms and upgrading our infrastructure and user experience through an omnichannel approach while ensuring we expand our capability for order fulfilment and delivery."

LEISURE

The Leisure industry group recurring EBITDA of Rs.2.34 billion in 2019/20 is a decrease of 56 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.5.30 billion]. The decline in profitability is on account of the negative impacts to the Sri Lankan Leisure business as a result of the Easter Sunday terror attacks in April 2019 and the resultant adverse travel advisories from key source markets in the immediate aftermath of the incident, in addition to the partial closure of 'Cinnamon Dhonveli Maldives' for refurbishment and start-up costs related to 'Cinnamon Hakuraa Huraa Maldives' and our new resort, 'Cinnamon Velifushi Maldives'. The decision by the Government of Maldives to suspend entry to tourists from certain key source markets in the fourth quarter of the year under review, in the wake of the COVID-19 pandemic, also impacted revenue generation.

In the aftermath of the terror attacks in April 2019, both the City Hotels sector and the Sri Lankan Resorts segment recorded a decline in occupancy and average room rates. It was encouraging that the occupancy at our hotels recovered faster than expected with forward bookings maintaining an upward trend where occupancy in the peak season was in line with the previous year, albeit at a moderately lower room rate. Whilst the tourist arrivals to the country had recovered close to pre-incident levels, the developments with the global spread of COVID-19 derailed this momentum.

In January 2020, the newly reconstructed 159-room 'Cinnamon Bentota Beach' commenced operations. The unique location and architecture of this heritage 5-star property, coupled with an unparalleled food and beverage offering, is expected to further strengthen and enhance the 'Cinnamon' brand offering.

The adjusted EBITDA of the Maldives resorts segment recorded a strong growth driven by higher average room rates, particularly from the newly refurbished water bungalows and over water suites at 'Ellaidhoo Maldives by Cinnamon' and 'Cinnamon Dhonveli Maldives'.

During the year under review, we added our fourth resort property to our Maldivian hotel portfolio, 'Cinnamon Velifushi Maldives'. The hotel was handed over to 'Cinnamon' on an operating lease, in line with our asset-light investment strategy, and commenced operations in October 2019. 'Cinnamon Velifushi Maldives', consisting of 90 rooms, is positioned as a 5-star deluxe resort. With the completion of the partial refurbishment of 'Cinnamon Dhonveli Maldives' and the reconstruction of 'Cinnamon Hakuraa Huraa Maldives' in December 2019, the full complement of all four of our Maldivian hotels is now available for operation.

At the inception of the outbreak of COVID-19 in Sri Lanka, we extended our fullest support to the Government at the time of national need and offered 'Trinco Blu by Cinnamon' as a quarantine centre to the Government, if the need arises.

Subsequent to the breakout of the pandemic, both Sri Lanka and the Maldives have undertaken stringent measures to control the transmission of COVID-19, and, as a result, have closed its airports for arrivals. Due to the resultant impact on tourist arrivals, the Group decided to suspend operations of its hotel properties in Sri Lanka and the Maldives, where the hotels continue to remain closed as at the date of this Report. The closure of the hotels has a significant financial impact on the business considering the high fixed costs associated with its operations. While the liquidity and cash flows of the business can be managed in this stress-tested scenario, we continue to prepare ourselves for the resumption in activity no sooner than when

"Whilst there certainly will be short-term challenges given the current situation, we remain confident that the prospects for tourism in the country in the medium to long-term remain extremely positive considering the tourism offering in the country and the potential for regional tourism to expand. Given that the virus is well contained locally, we expect domestic tourism, in particular, to perform similarly to other countries."

domestic travel resumes and the airport is opened, as permitted under the relevant Government directives, while operating under different protocols. Ensuring the health and safety of our employees and guests will be our immediate priority. We will ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies.

We will support and work closely with the Sri Lanka Tourism Development Authority (SLTDA) and other stakeholders to develop a plan to attract guests back to Sri Lanka, responsibly, once restrictions are eased. The SLTDA has initiated a two-phased post COVID-19 action plan to revive the tourism sector. The timely re-launch of Sri Lanka's first focused global tourism promotion campaign will also be critical for the revival of the industry. Whilst there certainly will be short-term challenges given the current situation, we remain confident that the prospects for tourism in the country in the medium to long-term remain extremely positive considering the tourism offering in the country and the potential for regional tourism to expand. Given that the virus is well contained locally, we expect domestic tourism, in particular, to perform similarly to other countries.

RECURRING EBITDA

Rs.2.34bn

Leisure industry group

↓ 56%

RECURRING EBITDA

Rs.568mn

Property industry group

↑ 76%

PROPERTY

The Property industry group recurring EBITDA of Rs.568 million in 2019/20 is an increase of 76 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.323 million]. The increase in profitability is on account of the commencement of revenue recognition of the 'Tri-Zen' residential development project.

During the year under review, piling works of the 891-apartment project, 'Tri-Zen', in Union Place, Colombo, was completed ahead of schedule. The year under review marked the first tranche of revenue recognition for the project and this is expected to ramp up over the next few quarters as the project progresses. Despite the challenging market conditions, 'Tri-Zen' recorded encouraging sales with 262 apartments sold as at 31 March 2020, outperforming the market. It is encouraging that a significant portion of current buyers are first-time customers to John Keells Properties as well as first-time home buyers, which is a realisation of the industry group's strategy of reaching new market segments with the launch of the 'Metropolitan Spaces'.

During the year under review, the construction progress of the 'Cinnamon Life' project was encouraging, with the topping off of construction in all six buildings of the project and the structural work completed by May 2019. Finishing work including the installation of the mechanical and electrical services and the external façades are currently underway. The residential and office towers are nearing completion, although affected by the closure of the construction site for close to 2 months due to the imposition of curfew. The pre-sales of the Residential Towers; 'The Suites of Cinnamon Life' and 'The Residencies at Cinnamon Life' is currently at 65 per cent of total area available for sale. While the sales momentum was expected to improve as completion draws nearer, the current crisis may impact the pace of pick up due to subdued consumer sentiment. The total revenue from the sale of the residential apartments and 10 floors of the commercial office space of the 'Cinnamon Life' project is estimated to be USD 250 million, which will be recognised post the hand-over of the sold units on commencement of operations.

The profitability impact of the COVID-19 pandemic to the Property industry group earnings is relatively less in the immediate short-term as revenue recognition was mainly from the 'Tri-Zen' residential development project, which is still at early stages of construction. The timing of the one-off recognition of the sale of residential apartments and the commercial space at 'Cinnamon Life' would depend on handover dates of the project.

'Cinnamon Life' witnessed delays in shipments since February mainly due to the shutdown of factories in China. However', we now note a gradual recovery in the arrival of materials with manufacturing in China resuming. Whilst the construction sites of both 'Tri-Zen' and 'Cinnamon Life' were closed from the time of curfew imposition in March 2020, both sites are now gradually commencing work as permitted under the relevant Government directives. The business is working closely with the contractor to understand the impact on the overall project to manage resources and deliverables. The funding of 'Cinnamon Life' is in place with the unutilised component of the committed syndicated loan facility and availability of funds earmarked for the project at the parent company level.

"The profitability impact of the COVID-19 pandemic to the Property industry group earnings is relatively less in the immediate short-term as revenue recognition was mainly from the 'Tri-Zen' residential development project, which is still at early stages of construction."

FINANCIAL SERVICES

The Financial Services industry group recurring EBITDA of Rs.2.99 billion in 2019/20 is a decrease of 11 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.3.36 billion].

Nations Trust Bank PLC (NTB) recorded an improvement in profitability as a result of an increase in net interest income and better management of operational expenses. NTB recorded a growth in net interest income-driven by loan growth, where conscious efforts were undertaken to consolidate the Bank's portfolio in view of the industry-wide deterioration in credit quality. However, higher impairment charges on the back of an increase in non-performing loans (NPL) due to the heightened credit risk from subdued macroeconomic conditions exerted pressure on performance.

The Bank continued its drive towards becoming a technologically-driven, customer-centric institution by investing over Rs.500 million in upgrading its digital infrastructure during the year. Digital channels accounted for over 70 per cent of total transactions performed in CY2019, which is among the highest in the industry. 'FriMi', the Bank's digital banking platform, recorded encouraging performance during the year with its customer base doubling with average monthly transaction values at Rs.4.00 billion. Several investments were made aimed at enhancing the user interface, functionality and user experience, in furtherance of the Bank's efforts to maintain FriMi's position as the market leader in the digital banking space.

Whilst Union Assurance PLC (UA) recorded an increase in gross written premiums, performance was impacted by a lacklustre growth in new business premiums. During the year under review, UA recorded an annual life insurance surplus of Rs.1.00 billion in 2019/20, a marginal decline against the life insurance surplus of Rs.1.10 billion recorded in the previous year. The agency channel continued to be a main driver of growth, accounting for over 86 per cent of total GWP. Given the significant contribution of the agency channel, the business invested in expanding and improving the quality of the agency channel through initiatives such as branch infrastructure upgrades and the revamping of the reward and recognition scheme, amongst others. The bancassurance channel also recorded strong growth.

During the imposition of the curfew, both the banking and insurance businesses continued limited operations given their classification as essential services. A key focus of the Banking sector will be to manage liquidity, particularly given the debt moratorium announced by the Central Bank. While there can be further stresses on future impairment considering the far-reaching impacts of the current crisis, NTB is well geared to manage its liquidity and will continue supporting its customers in resuming their business activity while focusing on collections and recoveries. The Central Bank of Sri Lanka has taken steps to support the banks through various measures to improve liquidity. The Insurance business has witnessed disruptions to underwriting of new business and collections as the Insurance regulator announced an extension for payment of renewal premiums which has impacted collections in the short-term. It is expected that business volumes will improve with the easing of the curfew, while there will be a renewed focus on the transformation to digital platforms and other online methods of carrying out the business, particularly with regard to improving renewals and pursuing new policies through a multichannel approach including ramping up digital marketing efforts.

"A key focus of the Banking sector will be to manage liquidity, particularly given the debt moratorium announced by the Central Bank. While there can be further stresses on future impairment considering the far-reaching impacts of the current crisis, NTB is well geared to manage its liquidity and will continue supporting its customers in resuming their business activity while focusing on collections and recoveries."

RECURRING EBITDA

Rs.2.99bn

Financial Services industry group 11%

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The Information Technology sector recurring EBITDA of Rs.349 million in 2019/20 is an increase of 81 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.192 million]. The improved performance is on account of onboarding new clients and completion of a few key projects. The prospects for the IT business are quite promising given the increased propensity for digital adoption in the current environment.

The Plantation Services sector recurring EBITDA of Rs.20 million in 2019/20 is a decrease of 95 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.365 million]. The performance of the Plantation Services sector was impacted by adverse weather conditions and a one-off impairment of debtors at John Keells PLC considering the stresses faced by tea producers due to lower tea prices last year.

Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs.3.26 billion in 2019/20, a decrease of 48 per cent over the recurring EBITDA of the previous financial year [2018/19: Rs.6.25 billion]. The decrease in profitability is mainly attributable to the decrease in interest income on account of lower cash and cash equivalents at the Holding Company due to the planned equity infusions to fund the 'Cinnamon Life' project, and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year.

"The prospects for the IT business are quite promising given the increased propensity for digital adoption in the current environment."

RECURRING EBITDA

Rs.3.26bn

Other, including Information Technology and Plantation Services industry group 48%

ADVANCED ANALYTICS

During the year under review, the Group's Data and Advanced Analytics Centre of Excellence was formally initiated as a division under the Holding Company, towards driving an advanced analytics transformation journey that would result in a greater degree of data-driven decision-making across the Group. JKH, in collaboration with a global consulting firm, commenced a three-year engagement that would execute the deployment of well-defined advanced analytics use cases that seek to solve key business challenges across value chains in several of key industry verticals and institutionalise the capabilities in our Centre of Excellence. During the period under review, the division commenced work on a series of use cases in the Retail and Financial Services industry groups where initial pilots indicated strong signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. The Group is of the view that the advanced analytics transformation programme, leveraging on the large volume and rich variety of data across the Group would be a significant source of competitive advantage going forward, notwithstanding even the current crisis where data-driven decision-making will become more relevant.

EMPLOYEES

The value creation process of the Group has been built around our loyal and committed employees, and I wish to acknowledge with gratitude the contribution and commitment of our employees during a year which witnessed many unprecedented challenges. The year under review commenced with the tragic loss of a few members of our staff at 'Cinnamon Grand Colombo' and one in the Logistics business from the Easter Sunday terror attacks. They were valued members of our team and are greatly missed.

I wish to sincerely thank the many who are serving in our front lines and are playing a pivotal role in serving our stakeholders and the people of our country in its time of need. It is truly heartening to see the positive attitude and spirit of our people during this crisis, where numerous teams have ensured that operations continue seamlessly with transition to remote working arrangements being smooth due to the dedication and commitment of our people at all levels. I am proud to lead such a team. Our people have been the hallmark of success of the John Keells Group over its 150 years of existence, and, I believe, will continue to be a key differentiator going forward as well.

Over the years, we have attracted the best and the brightest 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 ability through a performance-oriented culture founded on ethical and transparent behaviour which, in turn, promotes sustainable and profitable growth. The Corporate Governance Commentary and the Capital Management Review sections of this Report explain in further detail the best practice, policies and procedures that are in place to ensure that John Keells is 'More Than Just a Work Place'.

During the year, the Group carried out the Great Place to Work (GPTW) survey to obtain necessary insights through employee feedback and identify key areas of concern, and to further build on the Group's HR strategies and processes. The state-of-the-art cloud based Human Resource Information System (HRIS) which was implemented in March 2019, ran a full cycle of operations during the year under review, bringing into effect one of the largest, fastest and most comprehensive HRIS implementations in the country. The system manages the entire life cycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

"I wish to sincerely thank the many who are serving in our front lines and are playing a pivotal role in serving our stakeholders and the people of our country in its time of need. It is truly heartening to see the positive attitude and spirit of our people during this crisis, where numerous teams have ensured that operations continue seamlessly with transition to remote working arrangements being smooth due to the dedication and commitment of our people at all levels. I am proud to lead such a team."

CORPORATE GOVERNANCE

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

"It is also noted that in light of the Easter Sunday terrorist attacks and COVID-19 pandemic, the Group conducted a comprehensive review of the Group risk management register, where 'terrorism' and 'pandemic' risks were reviewed and appropriate impact mitigation measures relating to 'pandemic' risks in particular were included, to the extent known and possible, given the volatile and evolving circumstances."

During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. These include implementing a comprehensive data classification and rights managements system, roll-out of the anti-money laundering and anti-corruption policies across the Group and strengthening and streamlining the Group's cybersecurity resilience through device management, user access and data protection to cater to the evolving hybrid cloud environment and digitisation requirements of the Group. While the Group has a strong information technology (IT) governance framework, given the higher incidence of remote working arrangements in the wake of the COVID-19 pandemic, measures have been taken to further strengthen the IT governance and cybersecurity framework. Further details on compliance can be found in the Corporate Governance Commentary of this Report.

It is also noted that in light of the Easter Sunday terrorist attacks and COVID-19 pandemic, the Group conducted a comprehensive review of the Group risk management register, where 'terrorism' and 'pandemic' risks were reviewed and appropriate impact mitigation measures relating to 'pandemic' risks in particular were included, to the extent known and possible, given the volatile and evolving circumstances.

SUSTAINABILITY

This Report details the Group's sustainability strategy, its management framework and key policies and discloses its sustainability performance in accordance with the GRI Standards: Core option.

CHAIRMAN'S MESSAGE

The Group takes a holistic view with respect to its non-financial performance, focusing on the sustainability performance of its own operations as well as seeking to positively impact its value chain, entrenching a sustainability mindset that extends beyond its own boundary. Through its robust sustainability management framework, the Group strives to minimise impacts on the environment, ensure a healthy and safe working environment for its workforce, constantly develop and enhance employee skill levels, and provide its customers with the highest levels of product stewardship, whilst conducting all operations with the highest levels of ethical standards. The Group also continually aims to engage its suppliers and inculcate and encourage sustainability best practice through supplier assessments, forums and through its supplier code of conduct.

During the 2016/17 financial year, the Group established sustainability goals for 2020, with energy and water targets set against a baseline of 2015/16 figures. Group companies have strived to achieve these goals in the intervening years, with the implementation of energy and water conservation initiatives across key industry groups in an effort to reach the goals of a 12 per cent reduction in energy usage and a 6 per cent reduction in water usage. However, internal factors such as changes in operating models of key businesses, and external factors such as the Easter Sunday terror attacks and the COVID-19 pandemic have impacted our performance against these goals. Against this backdrop, the Group recorded a 4 per cent increase in energy usage against the 2015/16 baseline and a 4 per cent reduction of water usage. Nevertheless, the Group's sustainability philosophy is one of continuous learning and striving for improvement and we believe that the investments made during the past four years as a part of this exercise, will continue to yield benefits over a long-term basis. Group companies continue to work towards reducing their environmental impact and the Retail and Leisure industry groups are increasingly moving to greater utilisation of renewable sources of energy, amongst other initiatives, as part of this strategy.

Progress was made in key sustainability focus areas, with the Group's carbon footprint reducing by 2 per cent to 96,683 MT in absolute terms and a 5 per cent reduction in carbon footprint per million rupees of revenue. Although the Group's absolute water withdrawal figure recorded a 5 per cent increase at 1,896,084 cubic meters and water withdrawn per million rupees of revenue increased by 3 per cent, waste generation reduced by 6 per cent to 7,849 MT.

The Group closely monitors its health and safety indicators and over the year, recorded 118 incidences of occupational injuries. In addition, Group employees were provided with an average of 44 hours of training per person during the year, with extensive use of the online Learning Management System which facilitates the identification and management of learning needs.

"The Group takes a holistic view with respect to its non-financial performance, focusing on the sustainability performance of its own operations as well as seeking to positively impact its value chain, entrenching a sustainability mindset that extends beyond its own boundary."

Plasticcyle

The Group's social entrepreneurship initiative 'Plasticcycle', achieved a milestone of collecting over 50 MT of plastic waste, for responsible recycling during the year under review. With a key focus on its three pillars, of encouraging reduction in the use of single-use plastics, supporting responsible disposal and promoting recycling initiatives, the project has expanded to reducing the plastic pollution build-up on the coastlines of Sri Lanka with the launch of the beach caretaker project for a 1 km stretch of beach adjacent to the resort 'Hikka Tranz by Cinnamon' and promoted the use of the 4R's (Refuse, Reduce, Reuse and Recycle) through awareness programmes among schools.

CORPORATE SOCIAL RESPONSIBILITY

The John Keells Group is fully committed to our responsibility to make a positive difference in the communities that we operate in. JKH is a participant of the United Nations Global Compact (UNGC) and ensures that the Group's activities are aligned to the Sustainable Development Goals (SDGs) and national priorities. This ensures a collective and targeted focus towards addressing key universal needs for the development of people, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

Corporate Social Responsibility (CSR) is an integral part of our business ethos that permeates naturally throughout the organisation while staff volunteerism is a key component enabling our staff to enrich their personal experiences through community engagement and service. Our CSR activities continue to be on six focus areas, namely, Education, Health, Environment, Livelihood Development, Arts & Culture and Disaster Relief. All projects undertaken are inspired and sustained by our CSR vision of 'Empowering the Nation for Tomorrow'. The CSR initiatives of the Group are undertaken with strategic direction of the Group Executive Committee, with strategic and synergistic support of the Group businesses and are centrally planned and implemented by John Keells Foundation (JKF) - a company limited by guarantee which is also registered as a 'Voluntary Social Service Organisation' with the Ministry of Social Welfare. During the year under review, JKF marked the 15th year of reaching out to underserved communities in various parts of Sri Lanka.

Whilst further details are available under the Capital Management Review and Industry Group Review sections of this Report, some of the highlights of JKF's work during the year are listed below.

Disaster Relief

To support ongoing efforts to combat the COVID-19 pandemic, JKF in collaboration with SAGT, Deutsche Bank and Melstacorp, contributed to the establishment of a Molecular Diagnostic Laboratory at the National Institute of Infectious Diseases (IDH), to increase Sri Lanka's testing capacity. JKF also donated personal protective equipment (PPE) to five hospitals. Moreover, JKF together with other Group companies distributed 12,500 packs of essential provisions free of charge to affected families in the Colombo district as identified by the Government Agent.

English Language Scholarship Programme

A total of 845 schoolchildren completed the tier 1 and tier 2 'English for Teens' courses. Customised programmes were conducted at the School for the Blind, Ratmalana and the University of Moratuwa for undergraduates following the Transport and Logistics degree programme.

Career Skills for University Undergraduates and School Leavers

JKF launched 'STEP UP to Careers' initiative - a one-day career skills workshop inclusive of a career fair to enhance employability, benefiting 110 undergraduates from both state and private universities. JKF also organised two career guidance programmes in Colombo 2 and Hikkaduwa benefiting a total of 73 school leavers.

Project WAVE (Working Against Violence through Education)

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

- General staff awareness sessions for Group staff.
- A public awareness campaign against sexual harassment coinciding with the International Day for the Elimination of Violence Against Women conducted for the fourth successive year. The campaign under the theme 'Report for Support' with the objective of raising awareness on police helplines and promoting effective reporting of incidents of violence - targeting the areas of Colombo 2, Ranala, Hikkaduwa, Kalutara and Ja-Ela - was conducted in collaboration with the Sri Lanka Police and Group businesses, resulting in the distribution of 10,000 information cards and display of 200 posters.
- Awareness sessions on child protection for staff members and their families, sensitising over 200 children and parents.
- A poster campaign and external awareness sessions for schoolchildren on child protection in commemoration of National Children's Day in October benefiting 479 students.
- Piloting of 'Training of Trainers' programmes for Group staff creating a pool of 68 staff trainers.

The John Keells Vision Project

A total of 5 eye camps were conducted resulting in the identification of 892 cataract patients and completion of 233 cataract surgeries. Under the School Screening Programme in the Colombo District, a collaboration with the Ministry of Health, vision screening was conducted in 107 schools where over 35,700 schoolchildren were tested, and 1,822 spectacles donated.

Village Adoption

The following activities took place in the three villages:

- In Puthumathalan (Mullaitivu district), the school well rainwater harvesting system at Mathalan primary school was renovated.
- In Iranaipalai (Mullaitivu district) work was undertaken to construct an anicut to support farmer livelihoods.
- In Nithulemada (Kandy district) a rapid assessment on water security was conducted while a deep level assessment and stakeholder discussions were undertaken to identify a sustainable solution for pre-school development.

John Keells Praja Shakthi

This community empowerment initiative seeks to catalyse active and sustained business engagement within the Group's business locations. During the year under review, following activities took place:

- JKF in collaboration with Colombo Municipal Council and John Keells Properties funded and constructed the De Mel Park Multi-Disciplinary Community Centre in Colombo 2.
- Supported the establishment of a women's society in the Hunupitiya GN division of Colombo 2.
- Initiated a pilot programme to support sustainable production and market linkages for women engaged in batik production in Hikkaduwa in collaboration with the Academy of Design.
- Initiated preliminary discussions with self-employed vendors of Colombo 2 towards supporting the development of skills, standards and markets.
- Conducted financial literacy awareness among community members in Colombo 2 and Hikkaduwa in collaboration with Sanasa Development Bank (SDB) benefiting a total of 87 persons.

Kala Pola

Sri Lanka's popular annual open-air art fair conceptualised by The George Keyt Foundation - funded and organised by the John Keells Group for 26 successive years - was successfully held with the participation of 361 artists and sculptors from various parts of Sri Lanka, attracting over 30,000 visitors.

Primary Sponsorships

In furtherance of its focus on promoting Arts & Culture, JKF initiated sustained sponsorship support for the Gratiaen Trust (GT) as well as The Museum of Modern and Contemporary Art Sri Lanka (MMCA). MMCA launched its debut exhibition in December 2019 receiving over 3,300 visitors while GT conducted a Master Class for playwrights and an outreach programme at the University of Jaffna benefiting over 130 persons.

Our Volunteers

During the year in review, JKF recorded a total of 4,937 hours of CSR volunteerism by 778 staff volunteers across the John Keells Group in respect of activities conducted by JKF. This number excludes the substantial volunteer activities at the business or sector level.

CHAIRMAN'S MESSAGE

DIVIDENDS

Given the downturn of profits in the Group's Leisure businesses due to the Easter Sunday terror attacks which occurred in April 2019, a first interim dividend of Rs.1.00 per share was paid in November 2019. However, given the gradual recovery witnessed in the Leisure businesses towards the latter half of the year, the second interim dividend paid in February 2020 was increased to Rs.1.50 per share reflecting the positive momentum and outlook for the performance of the Group's businesses, at that point of time, prior to the impact of the COVID-19 pandemic.

However, given the volatility and uncertainty at this juncture of time, and the significant impact, yet again, on the performance of the Group's Leisure business, your Board decided it would be prudent to defer the payment of a final dividend and assess its dividend payment once there is greater clarity and visibility on the impact to the performance of the Group's businesses.

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 given the unprecedented circumstances, support its investment pipeline in the medium to long-term and optimise its capital structure.

RETIREMENTS

Dr. Radhika Coomaraswamy resigned from the Board with effect from 31 December 2019. I wish to place on record our deep appreciation for the invaluable contribution made by her during her tenure on the Board.

CONCLUSION

Whilst the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, the Group expects the impact on performance in the first and second quarter to be material, particularly for the tourism focused businesses. However, with the resumption of activity across the country, we are seeing early signs of an encouraging recovery of consumer activity which should be positive for our consumer-focused businesses such as Consumer Foods, Retail, Logistics and Insurance. The priority will be to ensure a smooth transition while maintaining our agility considering the uncertainty of the environment post the easing of restrictions.

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 and cooperation throughout the year, and, in particular, during this unprecedented challenging period.

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

Krishan Balendra

Krishan Balendra
Chairman

21 May 2020

INVESTOR RELATIONS

GROUP HIGHLIGHTS

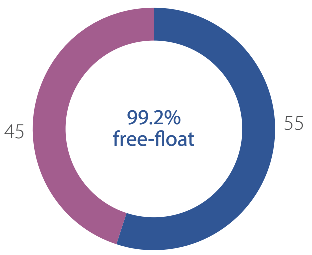
The ensuing section details the key highlights of the year under review, followed by an overview of the key verticals, their industry potential and outlook and the initiatives that are undertaken to drive growth.

The JKH Investor Presentations, which include an update on the latest financial results, are available on the Corporate Website to provide easier access and in-depth detail of the operational performance of the Group.

www.keells.com/investor-presentation

Shareholding Structure

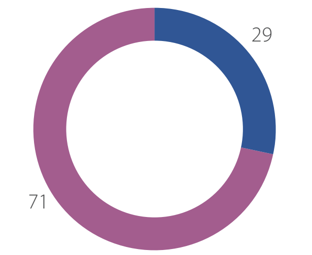
(%)



● Domestic ● Foreign

Board Composition

(%)



● Executive Directors ● Independent Non-Executive Directors

- During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. These include implementing a comprehensive data classification and rights management system, roll-out of the updated anti-money laundering and anti-corruption policies across the Group and strengthening and streamlining the Group's cybersecurity resilience through various initiatives.

DEBT TO EQUITY

41.4% ↑

2018/19: 23.7% (not adjusted for SLFRS 16 - Leases)

COVID-19 INSIGHT

Given the unprecedented challenges and operating conditions arising from the COVID-19 pandemic, in March 2020, Group businesses evaluated the resilience of the businesses under multiple scenarios, including extreme operating conditions. To this end, the Board of Directors convened to further discuss the impacts and action plan for the Group on the back of the COVID-19 pandemic.

In addition, with a view to focusing on cash management and liquidity, the Group has taken the following proactive steps:

- Adoption of weekly dashboards and 'cash war rooms' which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives.
- Freeze on all non-essential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration till June 2020, subject to further review depending on the macro and operating environment.
- Leverage on relief and concessions granted by the Government and the Central Bank of Sri Lanka, such as various moratoriums on interest and debt servicing, concessionary working capital loans, among others.

While the forecasted liquidity position is comfortable, the Group is of the view that undertaking proactive steps ahead of further stresses will assist the businesses across the Group in maintaining a stronger balance sheet and facilitating a smoother and faster recovery trajectory.

FINANCIAL CAPITAL

Group revenue, incl. equity accounted investees	Rs.158.92 billion	4%	↑
Recurring EBITDA*	Rs. 22.06 billion	14%	↓
Recurring EBIT*	Rs. 15.39 billion	22%	↓
Recurring PBT*	Rs. 12.28 billion	28%	↓
Recurring PAT*	Rs. 9.62 billion	27%	↓
Recurring PAT attributable to equity holders*	Rs. 9.33 billion	26%	↓

Refer page 38 for a discussion on the recurring adjustments.

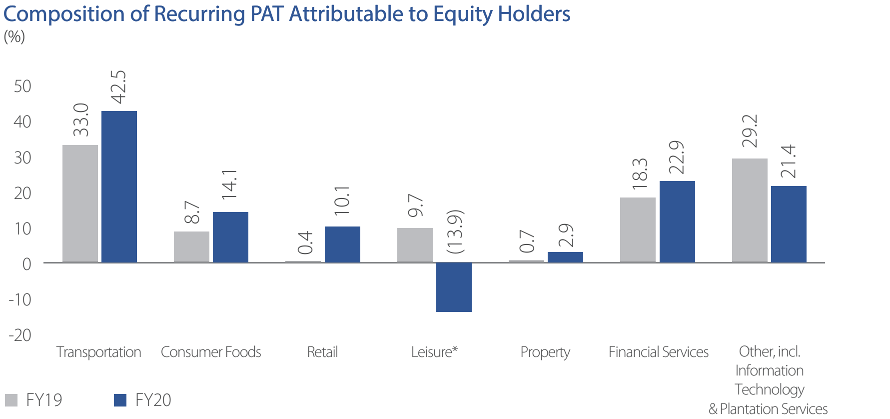
- The Consumer Foods, Retail and Property industry groups recorded a growth in profits.
- The Group's year-on-year performance was impacted by the downturn in the Group's Sri Lankan Leisure business due to the Easter Sunday terror attacks, lower finance income as a result of the deployment of cash in new investments and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year.
- The Group's Bunkering business recorded a strong growth in profits driven by improved margins. SAGT became liable for corporate income tax during the year under review, impacting profitability.

INVESTOR RELATIONS

GROUP HIGHLIGHTS

- Consumer Foods witnessed growth on account of an improved performance in the Beverages and Frozen Confectionery businesses driven by growth in volumes and expansion of margins due to a better sales mix.
- The Supermarket business witnessed a strong rebound in profits as it continued to gain market share, supported by a notable contribution from new outlets and strong growth in customer footfall.
- The foundation work of the 'Tri-Zen' residential development project was completed ahead of schedule. The super structure work is currently in progress. 'Tri-Zen' recorded encouraging sales with 262 apartments sold as at 31 March 2020, outperforming the market.
- The finishing works of the 'Cinnamon Life' Residential and Office Towers are nearing completion whilst the interior works of the Hotel and Retail space are on-going.

Composition of Recurring PAT Attributable to Equity Holders



** Earnings of the Leisure industry group were adversely impacted by lower tourist arrivals to Sri Lanka, following the Easter Sunday terror attacks and the partial closure of 'Cinnamon Dhonveli Maldives' for refurbishment.*

Performance Highlights

Indicator	Unit	2019/20	2018/19	2017/18
Group revenue - consolidated	Rs.million	140,043	135,456	121,215
Group profit before interest and tax (EBIT)	Rs.million	15,508	20,047*	28,155
Group profit before interest, tax, depreciation and amortisation (EBITDA)	Rs.million	22,174	25,798*	32,174
Group profit before tax	Rs.million	12,403	17,379*	27,634
Group profit after tax	Rs.million	9,741	15,001*	23,120
Group profit attributable to shareholders	Rs.million	9,414	14,254*	21,021
Diluted earnings per share	Rs.	7.1	11.1	15.1
Return on equity (ROE)	%	4.5	7.5	11.1
Pre-tax return on capital employed (ROCE)	%	4.8	7.5	11.9
Total assets	Rs.million	436,944	363,797	322,448
Net debt (cash)**	Rs.million	55,368	4,385	(33,519)
Total shareholders' funds	Rs.million	216,852	204,287	199,920
Economic value retained	Rs.million	17,663	11,620	16,716
Dividend paid per share	Rs.	3.5	6.0	6.0
Group dividend payout ratio	%	49.0	53.7	39.6
Market capitalisation	Rs.million	152,161	205,635	221,445

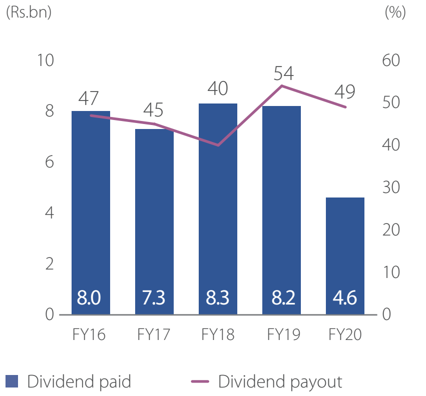
** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

*** Net cash or net debt, as applicable, excludes short-term investments of the life fund of UA, restricted regulatory fund at UA and customer advances in the Property Development sector.*

Dividend paid vs. dividend pay-out

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 given the unprecedented circumstances, support its investment pipeline in the medium to long-term and optimise its capital structure.

Distributions to Shareholders and Payout Ratio



The Company declared a dividend per share of Rs.2.50 for the financial year 2019/20, compared to the Rs.5.00 per share declared for the financial year 2018/19. The decrease in dividend declared for the year is mainly due to the downturn of profits in the Group's Leisure businesses in light of the Easter Sunday terror attacks which occurred in April 2019. Given the gradual recovery witnessed in the Leisure businesses towards the latter half of the year, the second interim dividend declared in January 2020 was increased to Rs.1.50 per share from the previous dividend payment of Rs.1.00 each per share, reflecting the positive momentum and outlook for the performance of the Group's businesses, at that point of time, prior to the impact of the COVID-19 pandemic.

JKH equity market trading statistics

	2019/20	2018/19
Average daily turnover (Rs.million)	233	211
Percentage of total market turnover (%)	28	30
Market capitalisation (Rs.billion)	152.2	205.6
Percentage of total market capitalisation (%)	7.1	7.9

"141,854,717 ordinary shares, which amounts to 10.76 per cent of the issued share capital of the Company, traded on 9 January 2020, whereby Northern Trust Co S/A Broga Hill Investments Limited sold its stake to Citigroup Global Markets Limited Agency Trading Prop Securities A/C at a price of Rs.160.00 per share."

NATURAL CAPITAL

Performance Highlights

Indicator	Unit	2019/20	2018/19	2017/18
Energy consumption - non-renewable resources per Rs.million of revenue	GJ	2.12	2.68	3.06
Energy consumption - renewable resources per Rs.million of revenue	GJ	0.86	0.77	0.91
Purchased energy - national grid per Rs.million of revenue	GJ	2.79	2.75	3.01
Direct greenhouse gas emissions - scope 1	MT	22,244	27,510	27,532
Indirect greenhouse gas emissions - scope 2	MT	74,439	71,192	68,595
Total carbon footprint per Rs.million of revenue	MT	0.69	0.72	0.80
Water withdrawal per Rs.million of revenue	m^3	13.47	13.14	15.42
Water discharge	m^3	1,123,119	1,137,386	1,414,546
Volume of hazardous waste generated	MT	298	382	439
Waste recycled/reused by Group companies and through third party contractors	%	37	46	41

- The Group's social entrepreneurship initiative, 'Plasticcyle', achieved a milestone of collecting over 50 MT of plastic waste, for responsible recycling, during the year under review.

2019/20 energy reduction goal status

PERFORMANCE ON AN ABSOLUTE BASIS, MATCHED AGAINST A BASELINE ACTIVITY LEVEL

Status as at 2019/20
4% vs. 2015/16 Baseline

Goal for 2019/20
12% vs. 2015/16 Baseline

- The progress towards the energy goal was impacted by lower levels of operational activity resulting in a decline in efficiency levels in key sectors due to the Easter Sunday terror attacks and the COVID-19 pandemic.

2019/20 water reduction goal status

PERFORMANCE ON AN ABSOLUTE BASIS, MATCHED AGAINST A BASELINE ACTIVITY LEVEL

Status as at 2019/20
4% vs. 2015/16 Baseline

Goal for 2019/20
6% vs. 2015/16 Baseline

- For the third consecutive year, the Group recorded a reduction in water usage, compared to the baseline year of 2015/16, through the commitment of Group companies.

HUMAN CAPITAL

Performance Highlights

Indicator	Unit	2019/20	2018/19	2017/18
Total workforce (employees and contract staff)	Persons	20,578	20,765	20,361
Employee benefit liability as of 31 March	Rs.million	2,344	2,086	1,971
Total attrition	%	23	24	26
Injuries	Number	118	202	209
Average hours of training per employee	Hours	44	45	47
Employee receiving performance reviews	%	100	100	100

Work force as at 31 March 2020	20,578	%
Employees	14,359	70
Outsourced personnel	6,219	30

- The Group carried out an employment engagement survey to obtain necessary insights through employee feedback and identify key areas of concern, and to further build on the Group's HR strategies and processes.
- Post the outbreak of the COVID-19 pandemic, the Group implemented stringent measures to ensure the health and safety of its workforce. The Group established a work arrangement protocol with detailed guidelines to be followed when entering the workplace, working from home, conducting meetings on site, travelling and ensuring work place hygiene.
- The state-of-the-art cloud based Human Resource Information System (HRIS), which was implemented in March 2019, ran a full cycle of operations during the year under review, bringing into effect one of the largest, fastest and most comprehensive HRIS implementations in the country.

INTELLECTUAL CAPITAL

- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, was formally launched in July 2019 as a division under the Holding Company. OCTAVE, in liaison with a global consulting firm, commenced work on a series of use cases in the Retail and Financial Services industry groups.
- JKX 3.0: Out of 15 applicants short-listed in the preceding year, 5 teams progressed to the accelerator program.
- The 'Keells' brand was adjudged the best supermarket brand for the second consecutive year and placed amongst the top 10 most valuable brands in Sri Lanka, as compiled by Brand Finance 2020.
- Union Assurance (UA) underwent a brand change during the year under review, with the launch of a new identity, logo and pay-off line, centred around the theme, 'Your Life, Our Strength'.

GROUP HIGHLIGHTS

SOCIAL AND RELATIONSHIP CAPITAL

Performance Highlights

Indicator	Unit	2019/20	2018/19	2017/18
Proportion of purchases from suppliers within Sri Lanka	%	79	78	72
Community engagement (persons impacted)	Number	833,234	946,082	1,455,814
Proportion of labels carrying ingredients used	%	80	80	80
Proportion of labels carrying information on disposal	%	88	93	92
Proportion of labels carrying sourcing of components	%	1	1	1

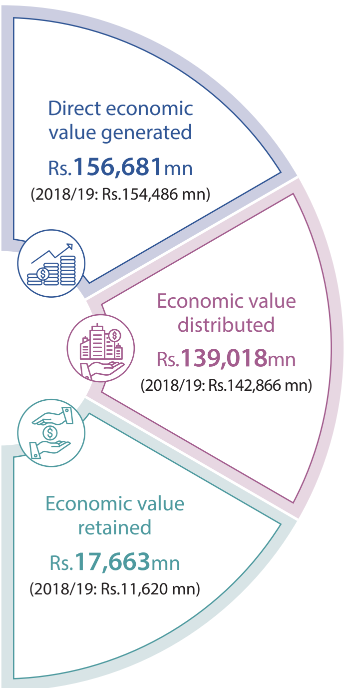
- Piloted John Keells 'Praja Shakthi' - a business centric, community empowerment initiative, which aims to create value amongst communities around and in proximity to Group businesses.
- In furtherance of its focus on promoting Arts & Culture, JKF initiated sustained sponsorship support for the Gratiaen Trust as well as the Museum of Modern and Contemporary Art Sri Lanka (MMCA).
- To support ongoing efforts to combat the COVID-19 pandemic, JKF, in collaboration with SAGT and Deutsche Bank, contributed to the establishment of a Molecular Virology Laboratory at the National Institute of Infectious Diseases (IDH) to increase Sri Lanka's testing capacity.
- 'Project WAVE' (Working Against Violence through Education);
    - Awareness to-date – 334,645
    - The campaign was conducted under the theme 'Report for Support' with the objective of raising awareness on police helplines available to report incidents of sexual harassment, focusing on five selected locations.
- 'Kala Pola', Sri Lanka's annual open-air art fair, took place in February, showcasing a record 361 artists and sculptors from various parts of Sri Lanka, generating Rs.18.7 million in estimated sales revenue on the day, for participating artists.

The following section details the key industry verticals in which the Group operates in, the industry potential, outlook and the initiatives that are undertaken to drive growth. Whilst this summation of the key investment considerations of our industry groups is meant to provide a snapshot for ease of understanding, this section should be read in conjunction with the Industry Group Review and Outlook sections of this Report to obtain a more comprehensive insight of the drivers and strategy of our businesses.

While it may be premature to assess the medium to long-term impacts on the economy as a result of the COVID-19 pandemic, we have attempted to highlight the key strategic priorities, including, and beyond, the short-term horizon.

ECONOMIC VALUE ADDED STATEMENT

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



REVENUE
Rs.140,043mn
(2018/19: Rs.135,456mn)

FINANCE INCOME*
Rs.9,357mn
(2018/19: Rs.12,052mn)

SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEES
Rs.4,466mn
(2018/19: Rs.4,727mn)

PROFIT ON SALE OF ASSETS AND OTHER INCOME
Rs.2,242mn
(2018/19: Rs.1,926mn)

VALUATION GAIN ON INVESTMENT PROPERTY
Rs.573mn
(2018/19: Rs.325mn)

OPERATING COSTS
Rs.111,904mn
(2018/19: Rs.111,019mn)

EMPLOYEE WAGES AND BENEFITS
Rs.15,805mn
(2018/19: Rs.14,316mn)

PAYMENTS TO PROVIDERS OF FUNDS
Rs.8,003mn
(2018/19: Rs.11,795mn)

PAYMENTS TO GOVERNMENT
Rs.3,250mn
(2018/19: Rs.5,641mn)

COMMUNITY INVESTMENTS
Rs.56mn
(2018/19: Rs.95mn)

DEPRECIATION
Rs.4,185mn
(2018/19: Rs.3,658mn)

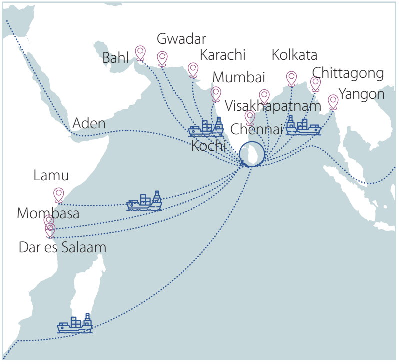
AMORTISATION
Rs.2,769mn
(2018/19: Rs.894mn)

PROFIT AFTER DIVIDENDS
Rs.10,709mn
(2018/19: Rs.7,068mn)

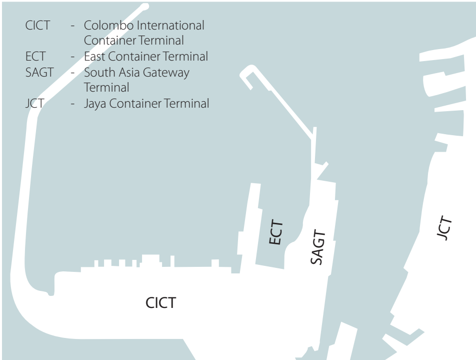
Includes interest income from life insurance policyholder funds at Union Assurance PLC.

TRANSPORTATION

Industry Potential



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



Capacity enhancements in the PoC

- Prospects for private sector participation, particularly in the port and bunkering industries in the Hambantota port.
- Expected increase in bunkering market driven by increased storage and infrastructure.
- Growing demand for logistics services through growth in inbound project cargo and other major industries.

Key Performance Indicators

		2019/20	2018/19	%	2017/18
SAGT volumes	(TEU)	2,066,192	2,073,661	0	1,871,011
Port of Colombo volumes	(TEU)	7,241,449	7,131,821	2	6,446,223
Bunkering volume growth	(%)	(7)	6		24

SAGT TRANSSHIPMENT: DOMESTIC MIX

81:19

2018/19: 81:19

WAREHOUSE SPACE UNDER MANAGEMENT (Sq.ft)

318,000

2018/19: 315,000

Our Business

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

Strategy and Outlook

Immediate to Short-Term

Ports, Shipping and Bunkering

- Degree of impact to overall port operations primarily depends on recovery of regional trade, particularly from India given the high proportion of transshipment volumes.
- Assess the outlook for oil prices when placing new orders for bunker fuel given the lead time of 2-3 weeks for delivery of cargo.

Logistics and Transportation

- JKLL to leverage on increased opportunities for deliveries via e-commerce platforms.
- Managing distribution and delivery within the restrictions stipulated by Government will continue to be a challenge.
- Reduced tourist arrivals, passenger traffic, travel restrictions and dampened consumer sentiment expected to impact the Airlines businesses.

Medium to Long-Term Strategies

Ports, Shipping and Bunkering

- Explore prospects in line with the overall enhancements to the PoC and improve terminal productivity and efficiency through strategic initiatives and investments.
- Focus on improving Transshipment: Domestic TEU mix to optimise profitability.
- Explore overall opportunities arising from the Ports of Colombo, Hambantota and Trincomalee, particularly in relation to bunkering and storage.

Logistics and Transportation

- JKLL will continue to expand its service portfolio and footprint, while exploring opportunities for regional expansion.
- Increase its footprint in the temperature-controlled logistics space.
- The Airline businesses will continue to evaluate potential expansion opportunities arising from the growth in tourist arrivals to the country.

INVESTOR RELATIONS

GROUP HIGHLIGHTS

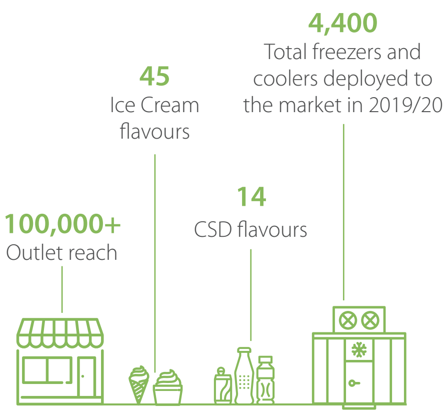
CONSUMER FOODS

Industry Potential

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

Our Business

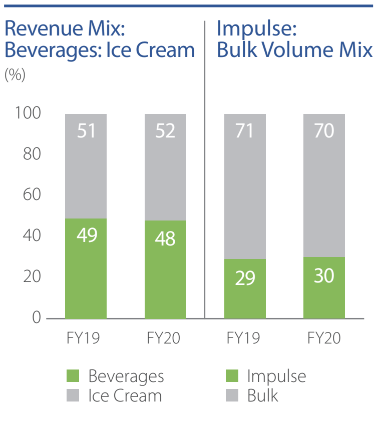
- Strong market presence in beverages, frozen confectionery (FC) and processed meats through 'Elephant House' and 'Keells-Krest' brands.
- Pioneers of instant rice branded 'Ezy rice', an affordable, easy-to-prepare and ready-to-eat single serve product.
- A portfolio of beverages catering to a wide array of customers and island-wide distribution network.
- ~40 per cent and ~45 per cent market share in the domestic beverage and ice cream markets, respectively, as per estimates.



Key Performance Indicators

	2019/20	2018/19	2017/18
Volume Growth (%)			
Beverages	7	(25)	(16)
Frozen Confectionery	3	10	(4)
Convenience Foods	0	7	3
EBITDA Margins* (%)			
Beverages and FC	21.2	17.8	20.5
Convenience Foods	13.6	19.3	20.2
PBT Margins* (%)			
Beverages and FC	14.7	11.5	16.9
Convenience Foods	8.1	14.8	15.2

Margins for 2017/18 have not been adjusted to reflect impacts from SLFRS 16 - Leases.



INSIGHT INTO 2019/20 PERFORMANCE

Volume growth vs. 2018/19 (%)	First 11 months	Full year
Frozen Confectionery	10	3
Impulse	16	8
Bulk	8	1
Beverages (CSD)	14	7
Convenience Foods	2	(2)

- Annual volume growth in the Consumer Foods businesses was impacted as a result of the disruptions to sales in March 2020 due to the COVID-19 pandemic.
- The relative impact on volumes in March is more pronounced given the seasonality associated with the Beverages and Frozen Confectionery businesses, where sales peak due to the traditional New Year in April.

Strategy and Outlook

Immediate to Short-Term

- Subject to recovery of overall consumer spend and distribution reverting gradually to a certain level of normalcy, volumes are expected to improve with the resumption of activity in Colombo and other districts.
- Engage with its suppliers and distributors to better manage working capital and minimise credit risk.
- Explore business opportunities in emerging online and alternate delivery channels.

Medium to Long-Term

- Prioritise the diversification of its portfolio, based on market opportunity and recovery, while also focusing on consolidating its current portfolio.
- Focus on initiatives aimed at improving product margins across the portfolio.
- Consolidate distributor networks and explore new operating models given changing consumer behaviour and digitisation trends.

RETAIL

Industry Potential

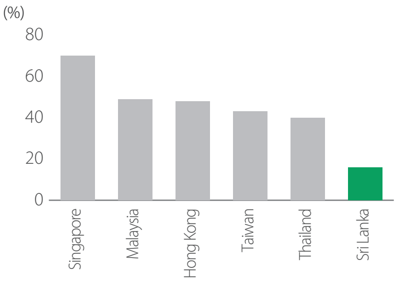
Supermarket Business

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

Office Automation Business

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

Modern Retail Penetration



Source: Central Bank of Sri Lanka, Nomura Research Institute

Our Business

Supermarket Business

- High brand equity post the rebranding of 'Keells' – recognised as the most valuable supermarket brand for the second consecutive year and placed amongst the top 10 most valuable brands in Sri Lanka, as compiled by Brand Finance 2020.
- 109 modern trade outlets uniquely branded to cater to evolving consumer lifestyles.
- Private label consisting of ~345 SKUs.
- Operates 'Nexus mobile', one of the most successful loyalty programmes in the country with ~1.3 million active members.

Office Automation Business

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

Key Performance Indicators

Supermarkets		2019/20	2018/19	2017/18
Same store sales growth	(%)	4.0	2.3	6.0
Same store footfall growth	(%)	1.8	4.5	4.1
Average basket value growth	(%)	2.2	(2.0)	1.9
EBITDA margin*	(%)	7.8	5.2	5.3
PBT margin*	(%)	1.7	0.1	4.0

Office Automation		2019/20	2018/19	2017/18
EBITDA margin*	(%)	7.5	5.1	5.5
PBT margin*	(%)	5.1	2.2	3.9

** Margins for 2017/18 have not been adjusted to reflect impacts from SLFRS 16 - Leases.*

INSIGHT INTO 2019/20 PERFORMANCE

Growth vs. 2018/19 (%)	First 11 months	Full year
Same store sales	4.9	4.0
Customer footfall	4.9	1.8
Average Basket Value	0.0	2.2

- Customer footfall was impacted by the closure of outlets following the imposition of curfew in March 2020, which affected the annual same store sales growth.
- While customers transitioned to online channels, this shift was inadequate to cater to the loss of footfall to outlets. With the easing of curfew restrictions, sales have rebounded as discussed below.
- ABV growth was flat throughout most of the year and was skewed primarily as a result of the effect of customers stockpiling grocery items in the latter half of March 2020.

Strategy and Outlook

Immediate to Short-Term

- With the easing of curfew and level of activity gradually increasing, a continued rebound in sales and footfall is expected, as already witnessed with the momentum since 11 May 2020.
- Ramp up capability in serving customers through online delivery platforms through an omnichannel approach.
- Investment in outlet expansion and distribution centre is currently on hold and will be re-evaluated once conditions start reverting towards normalcy.

Medium to Long-Term

- Expansion of outlets in both Colombo-centric and suburban areas based on a modular format, enabling better management of capital expenditure and operational costs.
- Develop additional advanced data analytics use cases leveraging on the Nexus database comprising of over 1.3 million users.
- Continue to expand on the digital channels to cater to the anticipated consumer shifts given the COVID-19 pandemic and expand the omnichannel offering.
- Focus on higher private label penetration and direct imports to enhance customer choice and drive profit margins.
- Expand offering of prepared food and other branding initiatives to act as a differentiator within the industry.
- Focus on providing a unique and modern shopping experience to its customers through JMSL's 'fresh' promise, service excellence and quality.

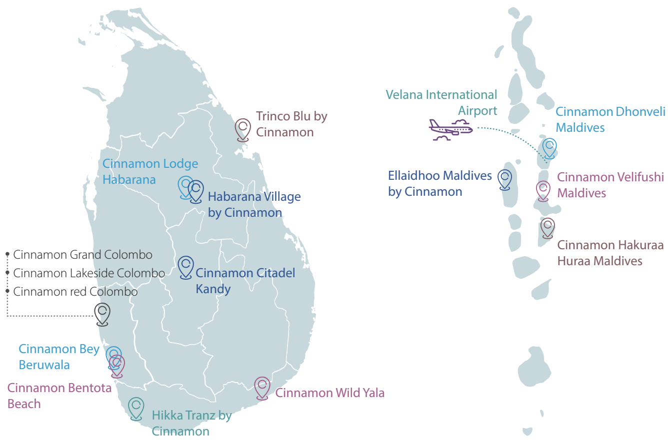
INVESTOR RELATIONS

GROUP HIGHLIGHTS

LEISURE

Industry Potential

- Sought after tourist destination in the region, with increased popularity and recognition – centred around its natural diversity and wide offering.
- Growth momentum of tourist arrivals to Sri Lanka followed an encouraging trend prior to CY2019 (5-year CAGR of 13 per cent as of CY2018), post which arrivals were impacted due to the Easter Sunday attacks.
- Proximity to India and increased flight connectivity.
- Infrastructure led growth driving MICE and corporate tourists.



3 City Hotels

12 Resort Hotels in Sri Lanka and the Maldives

2,112 Sri Lanka
454 Maldives
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 125 acres of freehold and 111 acres of leasehold land in key tourism locations.
- Leading inbound tour operator.

Key Performance Indicators

		2019/20	2018/19	2017/18
City Hotels*				
Occupancy	(%)	**34**	48	64
ARR	(USD)	**100**	128	127
EBITDA margin**	(%)	**10.8**	22.3	27.4
Sri Lanka Resorts				
Occupancy	(%)	**61**	80	81
ARR	(USD)	**78**	90	91
EBITDA margin**	(%)	**11.4**	28.6	28.0
Maldivian Resorts				
Occupancy	(%)	**56**	84	82
ARR	(USD)	**364**	320	309
EBITDA margin**	(%)	**26.7**	28.2	23.8

** Excludes 'Cinnamon red Colombo'.*
*** Margins for 2017/18 have not been adjusted to reflect impacts from SLFRS 16 - Leases.*

INSIGHT INTO 2019/20 PERFORMANCE

- The annual occupancy and ARRs in City Hotels and Sri Lanka Resorts were impacted as a result of the decline in arrivals due to the Easter Sunday attacks in April 2019.
- Until the outbreak of the COVID-19 pandemic, forward bookings were showing positive momentum with arrivals in line with levels seen before the Easter Sunday attacks.

Strategy and Outlook

Immediate to Short-Term

- Resumption of activities at 'Cinnamon' hotels no sooner domestic travel is allowed and the airport of opened, as permitted under the relevant Government directives.
- A pick-up in domestic tourism is expected, similar to trends witnessed in other countries.
- Focus on generating revenue from F&B channels, once authorities permit operation of restaurants, and via online delivery platforms.
- The Sri Lanka Tourism Development Authority has initiated a two-phased post COVID-19 action plan to revive the tourism sector which should help generate arrivals from targeted destinations.

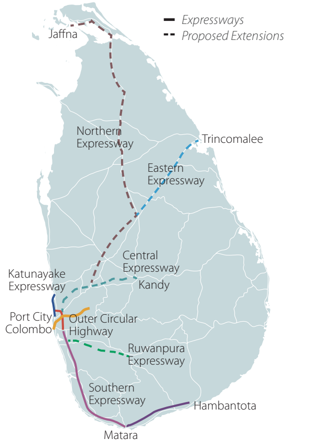
Medium to Long-Term

- The prospects for tourism in the country 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:
  - Monetise the land bank available through joint ventures.
  - Increase exposure in lucrative regional markets.
- Investments to enhance the 'Cinnamon' brand value and develop digital channels.
- The City Hotels sector will continue to develop a pipeline of 'Cinnamon' events, aimed at developing Colombo as an entertainment hub in South Asia and focus on corporate and MICE tourist segments.
- The Resorts sector will leverage on its refurbished portfolio of resorts in both the Maldives and Sri Lanka.

PROPERTY

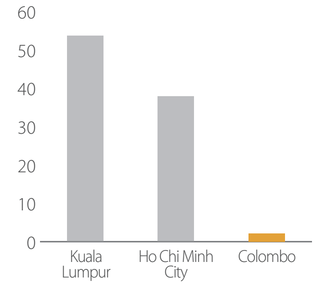
Industry Potential

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



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

Annual Apartment Supply Far Below Regional Peers



Source - KL: CBRE property market outlook 1Q 2018 (forecast for 2018)
HCMC: CBRE Vietnam property overview Q1 2017 (forecast for 2018)
CMB: Internal Estimates (forecast for 2018)

Our Business

- Reputed property developer in the country with multiple high-rise apartments completed and fully sold.
- Projects developed under the 'Luxe Spaces', 'Metropolitan Spaces' and 'Suburban Spaces' segments which cater to the luxury, mid-tier and suburban multi-family housing segments.
- Construction of the iconic integrated mixed-use development 'Cinnamon Life' comprising a 800-room super luxury hotel and conference centre, a state-of-the-art office complex, luxury residential apartments and a retail mall.
- Ongoing development of 'Tri-Zen', a 'Metropolitan' development based on smart living in the heart of the city.
- Land bank:
  - One of the largest privately held, developable land banks 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.

Key Performance Indicators

Mall Occupancy %	2019/20	2018/19	2017/18
K-Zone Ja-Ela	87	91	88
K-Zone Moratuwa	98	85	91
Crescat	85	97	98

Cumulative Sales	2019/20	2018/19	2017/18
Cinnamon Life			
The Residence	137	136	124
Suites	110	104	104
Commercial Complex	4	4	4
Tri-Zen	262	200	N/A

Strategy and Outlook

Immediate to Short-Term

- Construction work at both the 'Tri-Zen' and 'Cinnamon Life' sites have gradually re-commenced since the easing of curfew restrictions. The resumption of activity is gradual, given stringent regulations, lower number of workers and new site arrangements.
- The business continues to work closely with the contractor to understand the impact on projects to manage resources and deliverables.
- The Group expects sales momentum to be impacted by subdued consumer sentiment and discretionary spending, particularly 'Cinnamon Life', due to the luxury nature of offering although a pick up is envisaged as completion draws nearer.

Medium to Long-Term

- Monetise the existing land bank available to the industry group, subject to market conditions, through systematic development strategies to rollout 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.
- Capitalise on the opportunity that mortgage rates could be lower to drive home ownership.
- Focused strategies for expansion via developer/landowner tie-ups.

INVESTOR RELATIONS

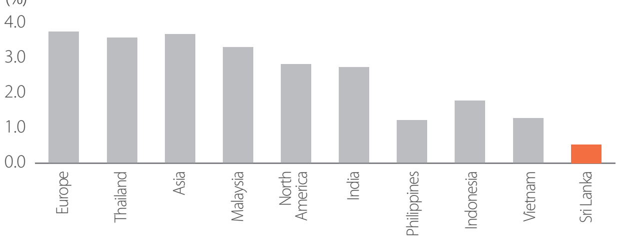
GROUP HIGHLIGHTS

FINANCIAL SERVICES

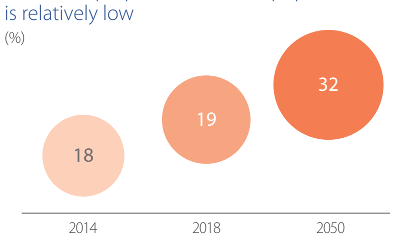
Industry Potential

Life Insurance Industry

Life Insurance penetration at 0.54 per cent of GDP, one of the lowest penetrated markets in the South Asian region.



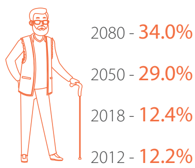
Sri Lanka's proportion of urban population is relatively low



Source: UN World Urbanisation Prospects Report 2018

Ageing population

Over 60 Age Group as a % of Total Population



Source: World Bank - Demographic Trends

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

Banking Industry

- Industry loans and advances growth of 5 per cent in CY2019.
- Growing opportunities for adoption of digital banking solutions.

Key Performance Indicators

		CY2019	CY2018	CY2017
Life Insurance				
Premium growth	(%)	4	11	22
Market share	(%)	13	14	14
Life fund	(Rs.billion)	35.5	30.6	27.0
Capital adequacy ratio	(%)	362	262	352
Banking				
Growth in loans and advances	(%)	2	19	25
Return on equity	(%)	12.7	15.3	17.4
Net interest margin	(%)	4.9	5.0	4.5
Non-performing loan ratio	(%)	6.2	4.6	2.3
Capital adequacy ratio - total capital	(%)	18.0	15.6	13.9

Our Business

Life Insurance

- GWP growth of 4 per cent in CY2019 versus industry GWP growth of 11 per cent.
- Operating footprint of 86 branches, excluding virtual locations.
- Agency force of over 3,397.
- Third largest producer of new business.
- Market share of 13 per cent.

Banking

- Branch network of 96 outlets, 122 ATMs and 54 CRMs.
- Strong online presence.
- Sri Lanka's first digital bank, 'FriMi'.
- Largest issuer of credit cards in Sri Lanka.

Strategy and Outlook

Immediate to Short-Term

Life Insurance

- Disruptions to underwriting of new business and collections.
- Risk in lapse rates of policies also a key challenge given the impact on consumer incomes.
- Business volumes are expected to improve with the easing of the curfew restrictions.
- Renewed focus on the transformation to digital platforms and other online methods of carrying out the business.

Banking

- Key focus will be to manage liquidity, particularly given the debt moratorium announced by the CBSL.
- Lacklustre credit growth on the back of reduced consumer spending also expected to dampen loan growth.
- The Bank will proactively look to manage its asset quality which may weaken on back of increased stresses in cash flows of the borrowers.
- Continue to leverage on its various digital channels ('FriMi', Online and Mobile Banking) to expand its offerings and serve its customers.

Medium to Long-Term

Life Insurance

- Continue to explore strategic partnerships whilst developing unique products to be launched via the bancassurance channel.
- Continue its investments into the transformation of the agency and bancassurance cadres.
- Focus on innovation and data analytics for higher operational efficiencies and better customer insights.
- Drive growth via digital channels and continued digitisation of processes.

Banking

- Prospects to grow its book in selected verticals, leveraging on its strong customer relationships, digital offerings and flexible solutions.
- Efficient management of credit costs, management of impairment and preserving credit quality.
- Focus on mobile and digital solutions, and innovative products whilst continually strengthening its digital transformation.
- Leverage on IT platforms and related investments to drive growth.

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 BPO industry.

Plantation Services

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

Our Business

Information Technology

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

Plantation Services

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

Strategy and Outlook

Information Technology

Immediate to Short-Term

- Uniquely positioned to capitalise on its various skill sets to offer smart software solutions.
- Leverage on its in-house capabilities to redefine the 'new normal' enabled by information/digital technologies.
- Pursue to expand its portfolio and market expansion strategies in the areas of Cloud computing, Software as a Services, as well as in other SMART technologies.
- Review other potential opportunities for managed services, outsourcing, shared services as well as off-shoring in light of the COVID-19 pandemic.

Medium to Long-Term

- Strengthen brand presence in the MENA, SEA and Nordic regions.
- Develop new digital solutions and services across multiple industries.
- Product innovation through cloud computing, IoT and RPA.
- Expand its portfolio of offerings beyond core ERP, enterprise applications, managed development centres.
- Leverage on its strategic partnerships with key players such as SAP, Microsoft and UiPath to expand footprint.
- 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 Government's identification of tea as an essential service has encouraged all stakeholders to continue their respective business operations, even during periods where curfew was declared.
- The factories continued to operate, with added measures pertaining to social distancing, health and safety, as advised by the health officials.
- Electronic tea auctions are expected to be a major driver that will continue to facilitate tea sales in the coming months.
- Declining oil prices, further devaluation of currencies and escalation in the pandemic of tea consuming nations such as Europe, Russia, Iran may impact tea prices.

Medium to Long-Term

- Focus on the quality of its products while also diversifying its manufacturing mix to meet market trends and mitigate risks.
- Optimise costs and improve factory utilisation.

INVESTOR RELATIONS

SUSTAINABLE DEVELOPMENT GOALS AND IMPACTS

By aligning its strategies, initiatives and targets with the Sustainable Development Goals (SDGs) of the United Nations, the Group strives to address and action initiatives aimed at alleviating poverty, protecting the planet and empowering communities towards unity and prosperity. Given the diversified nature of the Group, the ensuing section illustrates the key pillars of John Keells Foundation and the Group's focus on the SDGs through various projects and initiatives exceeding a collective spend of Rs.111 million. In addition to this, the Group, through its operational decisions, businesses and other initiatives, contributes to achieve all 17 SDGs.

EDUCATION

To provide better access to educational opportunities for those in need towards enhancing their employability and entrepreneurship.

- 946 Scholarships awarded.
- 717 Youth skilled through career guidance, vocational training and soft skills development.
- Supported a total of 2,559 schoolchildren and teachers of 6 schools.

HEALTH

To foster healthy communities towards enhancing well-being and productivity of Sri Lanka and Sri Lankans.

- Funding of 5 cataract clinics and 233 surgeries.
- Vision screening of 35,700 school children in 107 schools and donation of 1,822 eye glasses.
- 1,291 persons sensitised on HIV, gender and child protection.
- 68 persons trained as trainers in gender and child protection.
- Over 10,200 persons sensitised through the public campaign under 'Project WAVE'.
- Over 24,000 people educated on and tested for Thalassemia.

LIVELIHOOD DEVELOPMENT

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

- Construction of an anicut benefiting 100 farmers in Iranaipalai and a sanitation project benefiting 58 students in Puthumathalan.
- Community initiatives benefiting 17,582 persons in John Keells 'Praja Shakthi' locations of Colombo 2, Hikkaduwa and Ranala.
- 56 associates were engaged in 3 BPO centres in Mahavilachchiya, Seenigama and Jaffna and 16 underwent leadership training.
- Trained 95 safari jeep drivers in health and safety.
- Over 700,000 commuters benefited through the refurbishment and maintenance of the Slave Island Railway Station.

ENVIRONMENT

To minimise the impact of our operations and promote conservation and sustainability towards enhancing environmental and natural capital.

- 2,344 persons benefited from educational programs.
- 18,111 kg of paper recycled.
- 4 beaches cleaned with the support of staff volunteers.
- 52 field visits were made to observe 2 matriarch elephants fitted with GPS satellite collars producing 40 movement maps.
- Over 760 trees planted.

ARTS & CULTURE

To nurture the livelihoods of artists and preserve our cultural heritage towards safeguarding and promoting Sri Lankan arts and culture.

- Over 361 artists participated at 'Kala Pola' generating sales of approx. Rs.18.7 million at the one-day event which attracted over 30,000 visitors.
- 1,096 artists showcased on Sri Lankan Art Gallery (digital gallery) with 1,428 art works on display attracting a total of 20,697 visitors.
- 175 persons impacted through Sunera Foundation and The Gratiaen Trust.
- Sponsorship of the Museum of Modern and Contemporary Art-Sri Lanka exhibiting the work of 45 artists and attracting 3,331 visitors.

DISASTER RELIEF

To come to the aid of Sri Lankans and global communities in times of adversity and disaster towards enabling them to rebuild their lives and livelihoods.

- 12,500 persons supported through COVID-19 immediate relief.
- Contributing to the establishment of a Molecular Diagnostic Lab at IDH increasing the testing capacity and reducing the test turnaround times relating to COVID-19.
- 1,931 persons supported through flood relief.
- Over 600 people benefited from a flood preparedness programme.

LASTING PARTNERSHIPS

MANAGEMENT DISCUSSION & ANALYSIS

As a responsible corporate entity, the John Keells Group focuses on presenting concise, relevant and structured information to our stakeholders' evolving needs. As we progress in our journey forward as a dynamic conglomerate, we continue to enrich and expand upon best practice in reporting while adhering to globally recognised standards.

This Report is the fifth integrated report of JKH, prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council. With a view to providing our stakeholders an insightful view of the Group's operations, the Management Discussion and Analysis (MD&A) section of this Report consists of the following sections.

External Environment

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

Capital Management Review

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

Industry Group Review

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

Outlook

Provides a discussion on the economic outlook for Sri Lanka in the short to medium-term, the impacts to the businesses and the overall business strategy of the Group, including immediate impacts due to COVID-19.

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 discussion on the performance of equities, both globally and regionally, which is followed by a 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 growth during CY2019 is estimated at 2.9 per cent, a marginal slowdown against the 3.0 per cent recorded in CY2018. Policy uncertainty such as with Brexit, rising trade barriers, geopolitical tensions and idiosyncratic stress in emerging markets weighed negatively on business sentiment and economic activity globally, particularly on manufacturing and trade. Despite this global volatility, Sri Lanka graduated to the upper middle-income country status in terms of per capita Gross National Income (GNI), as per the World Bank's country classification in CY2019.

The Sri Lankan economy recorded a 2.3 per cent growth in CY2019, a notable slowdown against the growth of 3.3 per cent recorded in the previous year. The subdued growth is primarily attributable to the contraction of activities as a result of the Easter Sunday terror attacks in April 2019. Consumer discretionary spending remained subdued in CY2019 due to the lacklustre performance of the economy and dampened consumer and investor confidence. However, discretionary spending witnessed a rebound towards the fourth quarter of the year under review, driven by the conclusion of the Presidential Election in November 2019 and the subsequent introduction of various tax relief measures such as reductions in Value Added Tax (VAT), removal of taxes such as Nation Building Tax (NBT), Withholding Tax (WHT), and Economic Service Charge (ESC). However, recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the island-wide curfew imposed from March 2020 onwards.

Refer Industry Group Reviews for further details - page 61

Both headline and core inflation remained within mid single digit levels during CY2019, although food prices followed an upward trend during the second half of the year owing to supply shortages caused by adverse weather conditions.

Despite heightened domestic vulnerabilities, such as lower earnings from tourism on the back of the Easter Sunday terror attacks and moderation of worker remittances, which exerted pressure on the economy, the external sector remained resilient aided by an improvement in the trade deficit on the back of policy measures introduced to curtail excessive imports, and substantial foreign inflows during CY2019. To this end, the financial account recorded notable inflows primarily on the account of the issuance of ~USD 4.4 billion International Sovereign Bonds (ISBs) and receipt of two tranches of the International Monetary Fund (IMF) Extended Fund Facility (IMF-EFF). Despite significant repayments in CY2019, including the settlement of ~USD 1.5 billion ISBs, gross official reserves strengthened to USD 7.6 billion in CY2019 [CY2018: USD 6.9 billion].

The Central Bank of Sri Lanka (CBSL) continued to follow a market-based exchange rate regime in CY2019. Driven by an improvement in domestic liquidity and a notable contraction in the trade deficit, the exchange rate appreciated marginally by 0.6 per cent against the US Dollar in CY2019. Driven by the volatility surrounding the COVID-19 outbreak, the exchange rate depreciated by 4.5 per cent in March 2020; the CBSL has responded with several emergency operational and policy measures, including intervention in the domestic FOREX market and suspension of selected imports with the aim of averting further depreciation. The aforementioned recovery in economic activity, discretionary spending and business confidence was also hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed from March 2020 onwards.

It is pertinent to note that Government debt as at the end of the CY2019 stood at Rs.13,032 billion [CY2018: Rs.12,031 billion], which is a debt-to-GDP ratio of 86.8 per cent [CY2018: 83.7 per cent]. Of this, the total outstanding foreign debt in rupee terms increased by 7.4 per cent to Rs.6,402 billion as at December 2019, while the share of foreign debt declined marginally to 49 per cent.

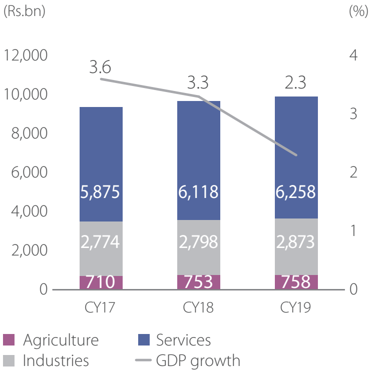
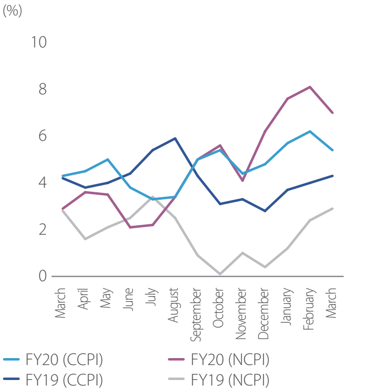
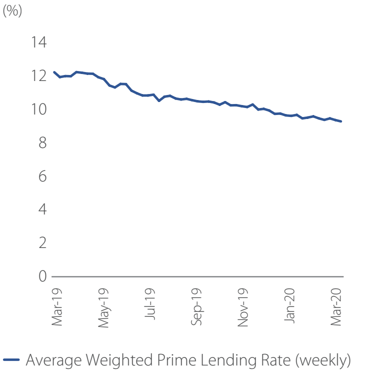
Against this backdrop, given significant capital outflows, marked local currency depreciation, wider risk premiums and increased debt burden and liquidity constraints, Fitch Ratings downgraded Sri Lanka's sovereign rating to 'B-' from 'B' and revised the outlook on the economy to 'negative' whilst Moody's have placed the country's rating under review for a potential downgrade.

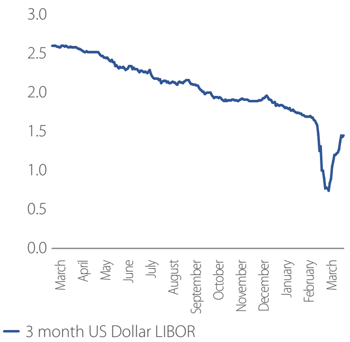
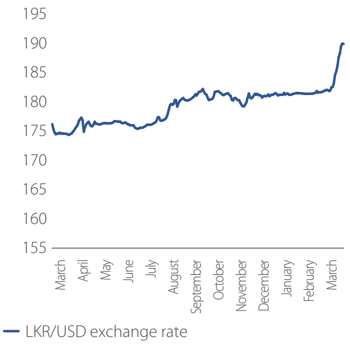
Development of economic and social infrastructure by the Government continued during the year, with land reclamation activities of the Port City Colombo project completing during the first half of 2019 and the commencement of construction activities. Other efforts in this regard include the completion of the Southern Expressway Extension project and Phase III of the Outer-Circular Highway project in addition to significant progress in regional road network development projects.

A more comprehensive discussion of the external environment relevant to the businesses is found in the Industry Group Review section - page 61

EXTERNAL ENVIRONMENT

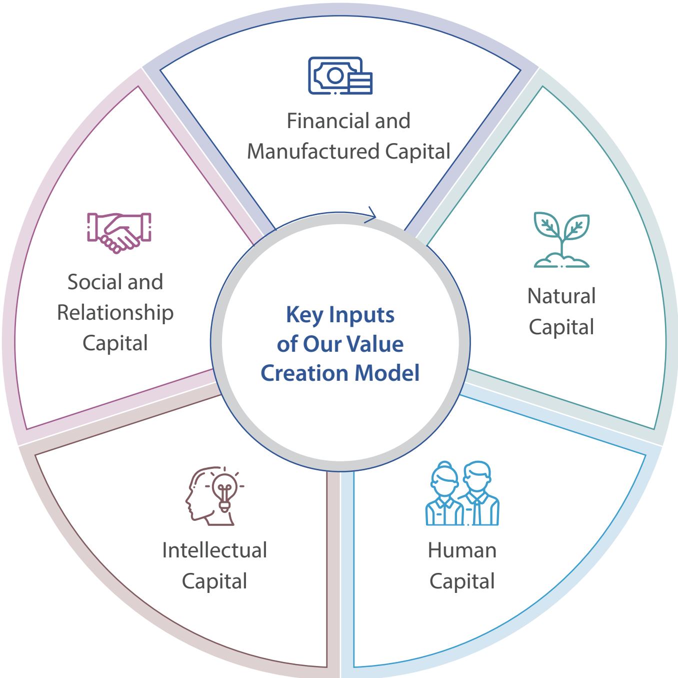
The ensuing sections detail the movement of the primary macroeconomic variables during the year under review and the resultant impacts on the performance of the Group's businesses.

Macroeconomic Variable	Cause	Impact to JKH
GDP Growth  Sri Lanka's GDP grew by 2.3 per cent in CY2019, compared to 3.3 per cent in CY2018.	Economic growth was driven by growth in Industrial and Services sectors which exhibited growth of 2.7 per cent [CY2018: 1.2 per cent] and 2.3 per cent [CY2018: 4.6 per cent] respectively. The Agricultural sector recorded a modest growth of 0.6 per cent [CY2018: 6.5 per cent] on the back of extreme weather conditions. Consumption expenditure increased by 3.5 per cent in real terms in CY2019, with household and Government consumption expenditure increasing by 2.9 per cent and 9.6 per cent, respectively.	Reduced activity following the Easter Sunday terror attacks impacted majority of the Group businesses, particularly the Leisure and Property industry groups. Whilst demand conditions and spending patterns in the fourth quarter of 2019/20 indicated a reversal in this trend, the recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed in March 2020.
Inflation  Year-on-year headline inflation, based on the NCPI, was 7.0 per cent in March 2020 [March 2019: 2.9 per cent].	General price levels of the country demonstrated an overall increasing trend during 2019/20, driven by an increase in food prices caused by adverse weather conditions during the latter part of the year. Year-on-year core inflation, based on NCPI, which measures the underlying inflationary pressures of the economy, decreased to 3.2 per cent in March 2020, from 5.8 per cent in March 2019. The decrease in inflation is driven by a reduction in non-food inflation, which recorded a 1.8 percent year-on-year increase in comparison to an increase of 7.1 percent recorded in March 2019.	Inflationary pressures were particularly evident in the Consumer Foods industry group where increase in raw materials prices impacted margins of the Convenience Food business.
Domestic Interest Rates  AWPLR decreased to 9.29 per cent in March 2020 from 12.23 per cent in March 2019. The 3-month treasury bill rate was 7.00 per cent in March 2019 compared to 9.39 per cent in the corresponding period.	The CBSL followed an expansionary monetary policy stance during 2019/20, where the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were reduced by 50 basis points (bps) each in May 2019, August 2019 and January 2020. In response to the COVID-19 pandemic and given the need to support economic activity, the CBSL decided to reduce the SDFR and the SLFR by a further 25 bps to 6.25 per cent and 7.25 per cent, respectively, and to reduce the Statutory Reserve Ratio (SRR) by 100 bps to 4.00 per cent in March 2020.	The Group, recorded an overall decrease in finance income (excluding exchange gains and losses), primarily driven by the 21 per cent reduction in Group cash and cash equivalents, as discussed in detail under Financial Capital. Subject to liquidity requirements and other considerations, where possible, the Group made a conscious effort to invest in medium-term instruments given the downward trend in interest rates. The Group's finance expense increased primarily on account of a significant increase in overall debt.

Macroeconomic Variable	Cause	Impact to JKH
Global Interest Rates (%)  3-month US Dollar LIBOR decreased to 1.45 per cent in March 2020, from 2.60 per cent in March 2019.	The Federal Reserve Open Market Committee (FOMC) voted to cut the federal funds rate at the ensuing FOMC meetings in 2019/20: - 25 bps cuts each in August 2019, September 2019 and October 2019, bringing the Fed Fund rate to between 1.50 and 1.75 per cent as at end October. - 150 bps cut in March 2020, bringing the Fed Fund rate to between 0.00 and 0.25 per cent in response to the COVID-19 pandemic. Against this backdrop, LIBOR reached its lowest level in over a decade in March 2020.	Given that the Group's US Dollar cash holdings are mainly earmarked as equity infusions to the 'Cinnamon Life' project, during the second half of the financial year, the Group invested in short-term instruments with a focus on maintaining sufficient liquidity to meet contractor settlements. The Group continued to maintain a partial hedge of the USD 395 million syndicated loan facility as a prudent measure to mitigate the Group's exposure to interest rate fluctuations. Whilst the hedge was in-the-money for much of this year, concerns on global growth, which prompted a series of rate cuts by the fed, resulted in a reversal of this position.
Exchange Rates (%)  The Rupee depreciated by 8 per cent to Rs.189.91 against the US Dollar as at 31 March 2020, compared to its closing rate of Rs.176.20 per US Dollar as at 31 March 2019.	The LKR/USD exchange rate which recorded a 0.6 per cent appreciation in CY2019, depreciated thereafter, particularly in March 2020, driven by foreign investment outflows and concerns over COVID-19 implications on the global and domestic economy.	The depreciation of the Rupee had a positive financial impact on the Holding Company, given its significant USD cash balance. In addition to implementing foreign exchange exposure management strategies, the Group continued to maintain, or where relevant, create a 'natural hedge' to manage the volatility of the foreign exchange markets. 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 US Dollars.

CAPITAL MANAGEMENT REVIEW

"All Group activities are centred around sustainable value creation which is the underlying essence of our business model and business framework."



The sections that follow detail the means by which each form of Capital is utilised for the execution of the businesses' near, medium and long-term strategies in 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 its Corporate Social Responsibility (CSR) entity, John Keells Foundation (JKF). The CSR initiatives of the Group represent the interlinkages between the Group's values, corporate culture and operations with social, economic and environmental 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, holistic and targeted focus towards addressing key universal needs, namely, economic growth, social inclusion and environmental protection.

The Group firmly believes that community engagement, social empowerment and sustainable environmental practices are fundamental to sustainable growth, which is further reinforced through the Group's CSR vision 'Empowering the Nation for Tomorrow'. All initiatives carried out by JKF are medium to long-term, strategic and sustainable projects within a framework of six focus areas – namely, Education, Health, Livelihood Development, Environment, Arts & Culture and Disaster Relief. Given the integrated nature of this Report, the Group's CSR initiatives are discussed under each 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

Revenue

Group revenue increased by 3 per cent to Rs.140.04 billion during the year under review [2018/19: Rs.135.46 billion], with the Retail and Consumer Foods industry groups being the primary contributors to revenue growth. The top two businesses that contributed to revenue growth were:

- Supermarket business - driven by robust growth in same store sales and a notable contribution from new outlets.
- Beverages and Frozen Confectionery businesses – driven by growth in volumes and an improved sales mix.

Revenue emanating from domestic sources was Rs.99.98 billion [2018/19: Rs.96.97 billion].

Group Revenue, including the share of revenue of equity accounted investees, increased by 4 per cent to Rs.158.92 billion [2018/19: Rs.153.20 billion]. Revenue from equity accounted investees increased by 6 per cent to 18.88 billion, compared to Rs.17.74 billion in 2018/19. The primary increases stemmed from:

- The commencement of revenue recognition at the 'Tri-Zen' residential development project.
- Improved performance at Nations Trust Bank (NTB) driven by growth in loans and advances.

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

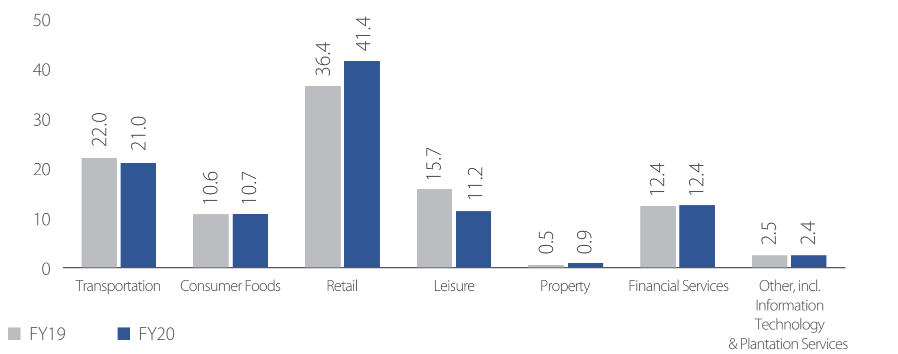
Revenue incl. Equity Accounted Investees (Rs.million)	2019/20	2018/19	%
Transportation	33,439	33,729	(1)
Consumer Foods	17,004	16,208	5
Retail	65,849	55,750	18
Leisure*	17,754	24,113	(26)
Property**	1,395	711	96
Financial Services	19,675	18,931	4
Other, incl. Information Technology and Plantation Services	3,803	3,754	1
Group	158,920	153,196	4

** Revenue of the Leisure industry group was impacted by lower tourist arrivals to Sri Lanka following the Easter Sunday terror attacks and the partial closure of 'Cinnamon Dhonveli Maldives' for refurbishment.*

*** Revenue of the Property industry group includes its first year of revenue recognition from the 'Tri-Zen' residential development project, amounting to Rs.806 million during the year under review.*

For a detailed industry group wise analysis refer the Industry Group Reviews - **page 61**

Composition of Revenue incl. Equity Accounted Investees
(%)



Earnings Before Interest Expense, Tax, Depreciation and Amortisation

Group EBITDA decreased by 14 per cent to Rs.22.17 billion during the year under review [2018/19: Rs.25.80 billion], with the decline primarily stemming from the Leisure and Other, including Information Technology and Plantation Services industry groups. 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.

Rs.million	2019/20	2018/19		% vs. 2018/19
	Reported	Adjusted	Unadjusted	Adjusted
Transportation	4,417	4,563	4,563	(3)
Consumer Foods	3,412	2,920	2,913	17
Retail	5,110	2,890	2,138	77
Leisure	2,363	5,354	5,017	(56)
Property	568	323	323	76
Financial Services	2,988	3,359	3,269	(11)
Other, incl. Information Technology and Plantation Services	3,315	6,388	6,388	(48)
Group	22,174	25,798	24,610	(14)

IMPACT ON THE INCOME STATEMENT FROM THE ADOPTION OF SLFRS 16 - LEASES

As elaborated the 2018/19 Annual Report, effective 1 April 2019, the Group adopted SLFRS 16 - the accounting standard on Leases - which primarily impacted the accounting treatment of the Group's operating leases and lease commitments, particularly in the Supermarket business and the Maldivian Resorts segment. This would entail the following implications;

- Given the reclassification in expenses, Group EBITDA will be higher under SLFRS 16 - Leases.
- Group EBITDA under SLFRS 16 - Leases will reflect the operational performance of the Group excluding impacts from long-term lease obligations.
- The front-loaded nature of the interest expense would result in a higher finance cost upon recognition of the lease liability, which will gradually taper over the tenure of the lease, resulting in a contraction in Group PBT and PAT in the preliminary years.

To depict the underlying performance of the Group on a like-with-like basis against 2019/20, earnings before interest expense, tax, depreciation and amortisation (EBITDA), earnings before interest expense and tax (EBIT), profit before tax (PBT) and profit after tax (PAT) for 2018/19 have been adjusted to reflect SLFRS 16 - Leases.

GROUP REVENUE, INCLUSIVE OF EQUITY ACCOUNTED INVESTEES

Rs.158.92bn

2018/19: Rs.153.20 bn

4%

GROUP REVENUE

Rs.140.04bn

2018/19: Rs.135.46 bn

3%

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

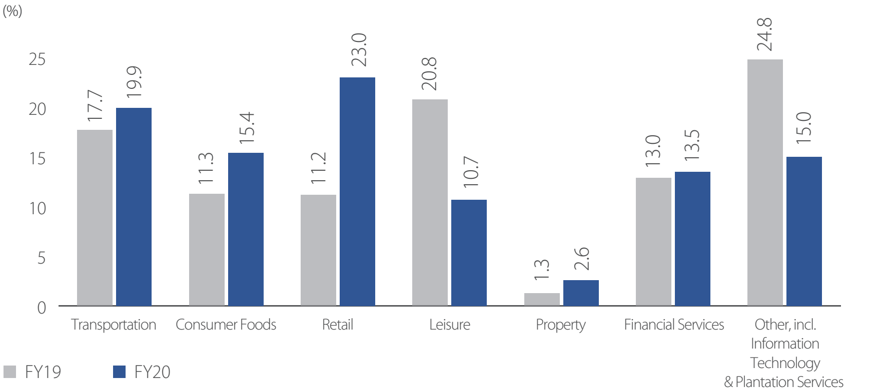
Group EBITDA Reconciliation (Rs.million)	2019/20	2018/19*	%
Group revenue excl. equity accounted investees	140,043	135,456	3
(-) Cost of sales	113,961	107,669	6
(+) Other operating income	2,242	1,926	16
(-) Selling and distribution expenses	5,519	5,939	(7)
(-) Administration expenses	13,143	12,562	5
(-) Other operating expenses	2,873	3,705	(22)
(+) Finance income	9,357	12,052	(22)
(-) Change in insurance contract liabilities	5,617	3,423	64
(+) Change in fair value of investment property	573	325	77
(+) Share of results of equity accounted investees	4,466	4,727	(6)
(+) Depreciation and amortisation	6,955	5,890	18
	22,523	27,077	(17)
(-) Adjustments relating to policyholders at UA**	349	1,344	(74)
Group EBITDA	22,174	25,798	(14)

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

*** Given that the change in insurance contract liabilities also entail depreciation, amortisation, interest expense and tax attributable to policyholders at UA, this has been adjusted 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 23 per cent contribution, followed by Transportation with a 20 per contribution and Consumer Foods and Other, including Information Technology and Plantation Services with a contribution of 15 per cent each.

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

EBITDA

Rs.22.17bn

2018/19: Rs.25.80 bn 14%

RECURRING EBITDA

Rs.22.06bn

2018/19: Rs.25.58 bn 14%

RECURRING ADJUSTMENTS

The recurring performance analysis entail the following adjustments:

- Removal of impacts of fair value gains on investment property (IP), excluding 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. As such, only IP gains pertaining to industry groups other than Property, have been adjusted at a Group level.

Adjustments specific to 2018/19:

- Up to the period ending 31 March 2018, UA did not recognise a deferred tax asset against its reported tax losses given uncertainty regarding the availability of taxable profits. However, with the introduction of the new tax base as per the Inland Revenue Act No. 24 of 2017, going forward, UA will have taxable income based on UA's historical experiences and future projections. It is noted that UA is eligible to claim its brought forward tax losses against its taxable income. Accordingly, in 2018/19, UA recognised a deferred tax asset of Rs.1.57 billion, arising from brought forward tax losses. In this light, the net income tax charge for 2018/19 of Rs.528 million was offset by the one-off recognition of the deferred tax asset of Rs.1.57 billion in the Income Statement, which resulted in an income tax reversal of Rs.1.04 billion. On this basis, the deferred tax asset of Rs.1.57 billion credited to the Income Statement was adjusted, given its non-recurring nature.

Fair Value Gains on Investment Property

Fair value gains on investment property were recorded at Rs.573 million in 2019/20 [2018/19: Rs.325 million], comprising gains of Rs.455 million at Property, Rs.54 million in the Other, including Information Technology and Plantation Services industry group, Rs.42 million in the Consumer Foods industry group and Rs.22 million at Leisure.

Recurring EBITDA

The recurring EBITDA for the year under review, decreased by 14 per cent to Rs.22.06 billion, compared to Rs.25.58 billion recorded in the previous year. The recurring EBITDA breakdown for each of the industry groups are given below.

Recurring EBITDA (Rs.million)	2019/20	2018/19*	%
Transportation	4,417	4,563	(3)
Consumer Foods	3,370	2,895	16
Retail	5,110	2,890	77
Leisure	2,341	5,302	(56)
Property	568	323	76
Financial Services	2,988	3,359	(11)
Other, including Information Technology and Plantation Services	3,261	6,248	(48)
Group	22,055	25,579	(14)

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

The challenging macroeconomic environment which resulted in a slowdown in discretionary spending and economic activity on the back of the Easter Sunday terror attacks, exerted pressure across the Group. Although economic activity and consumer and business sentiment witnessed a rebound towards the fourth quarter of the year under review, recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed from March 2020 onwards.

Whilst the recurring EBITDA of the Retail, Consumer Foods and Property industry groups recorded an improvement, recurring EBITDA was impacted by the following:

- Leisure – impact to the Sri Lankan Leisure businesses due to the Easter Sunday terror attacks in April 2019 and the partial closure of 'Cinnamon Dhonveli Maldives'.
- Other, including Information Technology and Plantation Services - a decline in interest income at the Holding Company on account of lower cash and cash equivalents due to the planned equity infusions to fund the 'Cinnamon Life' project.
- Financial Services – UA recorded a decline in interest income due to lower interest rates which prevailed for a majority of the year.
- Transportation – impacted by SAGT which became liable for corporate income tax during the year under review.

For a detailed industry group wise analysis refer the Industry Group Reviews - **page 61**

Recurring EBITDA Margins

The recurring EBITDA margin for the year under review decreased to 13.9 per cent, compared to 16.7 per cent in the previous year, due to the reasons outlined above. The adjusted and recurring EBITDA margins for each of the industry groups are given below.

EBITDA Margins (%)	Reported		Recurring	
	2019/20	2018/19*	2019/20	2018/19*
Transportation	13.2	13.5	13.2	13.5
Consumer Foods	20.1	18.0	19.8	17.9
Retail	7.8	5.2	7.8	5.2
Leisure	13.3	22.2	13.2	22.0
Property	40.7	45.4	40.7	45.4
Financial Services	15.2	17.7	15.2	17.7
Other, including Information Technology and Plantation Services	87.2	170.2	85.7	166.5
Group	14.0	16.8	13.9	16.7

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

Depreciation and Amortisation

The depreciation and amortisation expense for the year stood at Rs.6.95 billion, an increase of 18 per cent against the adjusted depreciation for 2018/19 at Rs.5.89 billion. 2018/19 was adjusted to enable a like-with-like comparison of performance. Depreciation and amortisation for 2018/19, excluding SLFRS 16 - Leases adjustments, stood at Rs.4.55 billion.

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

- The Supermarket business driven by an increase in assets as part of the aggressive roll-out of outlets in the recent years.
- The Frozen Confectionery business, given that the year under review represents a full year of operations for the new ice cream plant as against 9 months of operations in 2018/19.
- The Maldivian Resorts segment, stemming from the operating lease of the new Maldivian resort, 'Cinnamon Velifushi Maldives' and from refurbishments to 'Cinnamon Dhonveli Maldives' and 'Cinnamon Hakuraa Huraa Maldives' during the year.

"The challenging macroeconomic environment resulting in a slowdown in discretionary spending and economic activity on the back of the Easter Sunday terror attacks exerted pressure across the Group."

EBITDA MARGIN

14.0 per cent

2018/19: 16.8 per cent

RECURRING EBITDA MARGIN

13.9 per cent

2018/19:16.7 per cent

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Finance Income

Group finance income stood at Rs.9.36 billion during the year under review, a decrease of 22 per cent [2018/19: Rs.12.05 billion], the composition of which is given in the table below.

Finance Income (Rs.million)	2019/20	2018/19
Interest income from life insurance policyholder funds at UA	4,445	4,669
Interest income of Group excluding UA	2,600	5,113
Net realised gain on financial assets	0	7
Other finance income	2,313	2,263
Total	9,357	12,052

- Interest income associated with UA of Rs.4.45 billion [2018/19: Rs.4.67 billion], net of related costs, is classified under operating segment results on the basis that the interest income from life insurance funds is considered operational income.
- The interest income of the Group, excluding UA, decreased to Rs.2.60 billion [2018/19: Rs.5.11 billion], mainly on account of lower cash and cash equivalents at the Holding Company due to the on-going equity infusions to fund the equity commitments of the 'Cinnamon Life' project.
- The decrease in other finance income to Rs.2.31 billion is mainly attributable to the decrease in the exchange rate gain on the Company's foreign currency denominated cash holdings to Rs.1.96 billion [2018/19: Rs.2.11 billion].

Further details on finance income can be found in the Notes to the Financial Statements section of this Report - page 222

Finance Expense

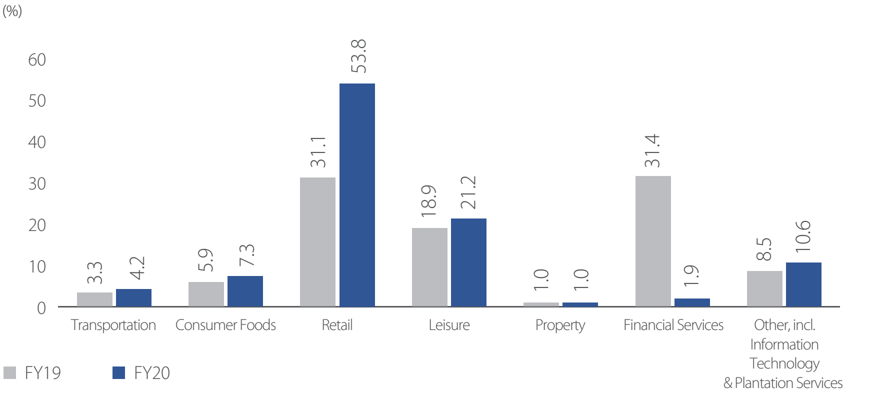
The finance expense, which includes interest expense of the Group, decreased by 17 per cent to Rs.3.17 billion, compared to the SLFRS 16 - Leases adjusted finance expense of Rs.3.81 billion recorded in 2018/19 [2018/19 unadjusted: Rs.2.72 billion]. The decrease in the adjusted finance expense is primarily due to a significant reduction in the fair value losses recorded on the equity portfolio of UA, which was Rs.61 million compared to the Rs.1.17 billion recorded in the previous year. As such, finance expense of the Group, excluding the impact of fair value losses at UA, increased by 18 per cent to Rs.3.10 billion, compared to Rs.2.64 billion recorded in 2018/19. The increase in total debt level of the Group by Rs.46.40 billion to Rs.100.91 billion [2018/19: Rs.54.51 billion] primarily contributed to the increase in finance expense.

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

The key reasons that contributed to the increase in finance expense are listed below.

- The aggressive outlet roll-out of the Supermarket business.
- Increase in debt at the Maldivian Resorts segment to fund the refurbishment of hotels.
- Increase in debt in the Convenience Foods business on account of the newly commissioned 'Ezy rice' plant, which commenced operations during the year.

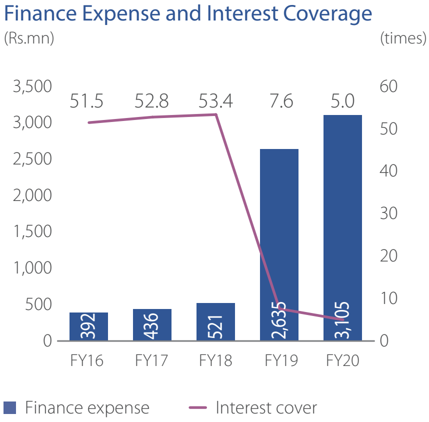
Composition of Finance Expense



In terms of composition, the largest contributor to finance expense was the Retail industry group accounting for 54 per cent of total finance expense, followed by Leisure (21 per cent) and Other, including Information Technology and Plantation Services (11 per cent).

The interest cover of the Group, excluding the unrealised losses on UA's equity portfolio, stood at 5.0 times in comparison to 7.6 times in 2018/19. The movement in the interest coverage stems primarily from the 23 per cent decline in EBIT and 18 per cent increase in finance expense, as outlined in the preceding section.

Finance Expense and Interest Coverage



Taxation

The Group tax expense increased by 12 per cent to Rs.2.66 billion during the year under review [2018/19: Rs.2.38 billion]. The Group tax expense primarily comprises a current tax charge of Rs.1.82 billion [2018/19: Rs.2.46 billion] and Rs.123 million from withholding tax on inter-company dividends [2018/19: Rs.801 million].

The effective tax rate (ETR) on Group profits increased to 21 per cent, as against 14 per cent recorded in 2018/19. The above movements in taxation and ETR are attributed to the following:

- As discussed under recurring adjustments, the 2018/19 tax charge entailed a one-off deferred tax asset at UA, amounting to Rs.1.57 billion, which resulted in an income tax reversal of Rs.1.04 billion. Excluding this impact, the Group tax expense for 2018/19 was Rs.3.95 billion thereby resulting in an ETR of 23 per cent. Against this base, the 2019/20 Group tax expense reflects a decrease of 33 per cent, driven by a notable decline in the tax expense at the Holding Company due to a decline in interest income.

- Whilst various tax related relief measures introduced by the Government resulted in lower taxes towards the latter part of the year under review, the subdued financial performance across most businesses in the portfolio, particularly the Leisure industry group, also impacted profitability and resultantly, taxes.
- However, improved profitability of certain businesses which are taxed at a higher effective tax rate, such as Consumer Foods and the Supermarket business, partially negated the impact of reduced taxes.

Other, including Information Technology and Plantation Services, Consumer Foods and Financial Services were the highest contributors to the Group tax expense with Rs.752 million, Rs.686 million and Rs.533 million, respectively.

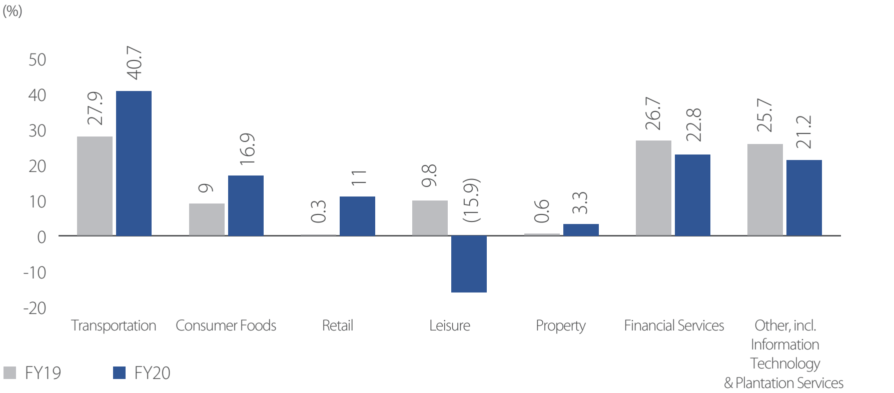
For further details on tax impacts, refer the Notes to the Financial Statements section of this Report - page 225

Profit After Tax

The adjusted Group profit after tax (PAT) stood at Rs.9.74 billion for the year under review, a decrease of 35 per cent [2018/19 adjusted: Rs.15.00 billion].

As indicated in the graph below, the highest contributors to Group PAT were the Transportation, Financial Services, and Other, including Information Technology and Plantation Services industry groups, with contributions of Rs.3.96 billion [2018/19: Rs.4.18 billion], Rs.2.22 billion [2018/19: Rs.4.01 billion] and Rs2.06 billion [2018/19: Rs.3.86 billion], respectively. Excluding the gains on investment property and the one-off impacts discussed previously, the recurring Group PAT decreased by 27 per cent to Rs.9.62 billion [2018/19: Rs.13.21 billion].

Composition of Group Profit After Tax



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

Rs.million	2019/20	2018/19*	%
PAT attributable to equity holders	9,414	14,254	(34)
Non-controlling interest (NCI)	327	748	(56)
Group PAT	9,741	15,001	(35)

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

Non-Controlling Interests

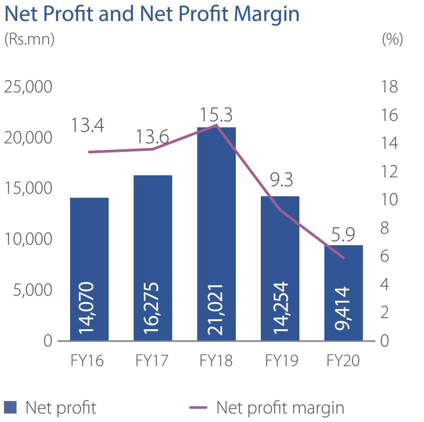
PAT attributable to shareholders with NCI stood at Rs.327 million in 2019/20, a 56 per cent decrease, primarily on account of lower profits in the Leisure industry group, in which the Group owns an effective stake of 80.3 per cent in John Keells Hotels PLC – the holding company of the Resorts sector and an effective stake of 78.6 per cent and 82.7 per cent in Asian Hotels and Properties PLC and Trans Asia Hotels PLC, which are the holding companies of 'Cinnamon Grand Colombo' and 'Cinnamon Lakeside Colombo', respectively.

Furthermore, a drop in the profitability of the Group's 90.0 per cent owned insurance business, UA, contributed to the drop in PAT attributable to NCI. The NCI share of PAT at 3 per cent for 2019/20 is a decrease in comparison to the 5 per cent recorded in 2018/19. However, the impacts were partially offset by improved performance of Ceylon Cold Stores PLC, which also includes the Supermarket business.

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

PAT attributable to equity holders of the Parent decreased by 34 per cent to Rs.9.41 billion [2018/19: Rs.14.25 billion]. The net profit margin of the Group decreased to 5.9 per cent from 9.3 per cent in the previous year. The recurring net profit attributable to equity holders decreased by 26 per cent to Rs.9.33 billion [2018/19: Rs.12.68 billion], whilst the recurring net profit margin of the Group decreased to 5.9 per cent, against the 8.3 per cent in 2018/19.

Net Profit and Net Profit Margin



"PAT attributable to shareholders with NCI stood at Rs.327 million in 2019/20, a 56 per cent decrease, primarily on account of lower profits in the Leisure industry group on the back of Easter Sunday terror attacks in April 2019."

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Performance of the Holding Company

Rs.million	2019/20	2018/19
Revenue	1,462	1,722
Dividend income	6,368	7,187
Finance income	3,822	6,351
Finance expenses	(237)	(185)

- The 15 per cent decline in revenue is primarily on account of lower commercial fees from Group businesses and external clients.
- Dividend income received from the businesses of the Group recorded a 11 per cent decrease, particularly from the Leisure businesses and the Ports and Shipping sector. It is noted that a majority of Group companies have deferred dividends due for March 2020, given the unprecedented nature of the COVID-19 pandemic, to ensure better liquidity positions for the businesses since the holding company has a strong cash position.
- Finance income, which comprises of both interest income and exchange gains on the Group's US Dollar denominated cash balance, recorded a contraction of 40 per cent, primarily due to a drop in interest income by 57 per cent to Rs.1.83 billion compared to Rs.4.23 billion recorded in the previous year, mainly on account of the decrease in cash and cash equivalents due to the on-going funding of the equity commitments to the 'Cinnamon Life' project.
- Finance expense increased by 28 per cent owing to an increase in interest expense on the back of higher bank overdrafts and short-term facilities.
- As a result of the above, PBT of the Holding Company stood at Rs.9.25 billion [2018/19: Rs.13.14 billion], whilst the PAT was recorded at Rs.8.64 billion [2018/19: Rs.12.00 billion].

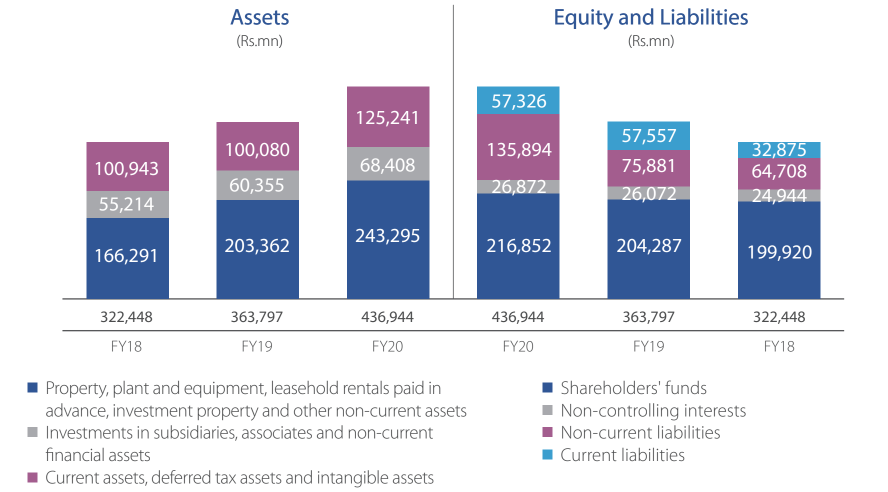
PBT OF HOLDING COMPANY

Rs.9.25bn

2018/19: Rs.13.14 bn

30%

Financial Position



IMPACT ON THE FINANCIAL POSITION FROM THE ADOPTION OF SLFRS 16 – LEASES

Effective 1 April 2019, the Group adopted SLFRS 16 – the accounting standard on Leases - which primarily impacted the accounting treatment of the Group's operating leases and lease commitments. This would entail the following implications from a financial position perspective;

- A 'right-of-use' (ROU) model replaces the 'risks and rewards' model, recognising an asset and liability at the inception of a lease.
- This would entail the recognition of leasehold contracts classified as 'operating leases' under the previous standard.

Group Assets

The Group's total assets as at 31 March 2020 stood at Rs.436.94 billion, an increase of Rs.73.15 billion [2018/19: Rs.363.80 billion], mainly on account of additions to property, plant and equipment, other non-current assets and recognition of ROU assets, as per SLFRS 16 - Leases.

Cash and short-term investments decreased to Rs.51.79 billion [2018/19: Rs.65.71 billion], mainly on account of the investments made by the Group, particularly funds channelled by the Holding Company to 'Cinnamon Life' to fund the equity commitments of the project.

Working Capital/Liquidity

Rs.million	2019/20	2018/19	%
Current assets	121,050	95,421	27
Current liabilities	57,326	57,557	0
Working capital	63,724	37,864	68

Current Assets: Whilst Group cash and short-term investments recorded a decrease of Rs.13.92 billion, this was offset by an increase in inventory, as costs pertaining to the Residential and Office towers of the 'Cinnamon Life' project were moved from other non-current assets to current assets under inventory as at 31 March 2020, given that the towers are nearing completion.

Current Liabilities: Current liabilities recorded a marginal increase, owing to an increase in trade and other payables by Rs.4.14 billion, which was offset by a decrease in short-term borrowings, bank overdraft and other current liabilities by Rs.4.17 billion, Rs.2.38 billion and Rs.1.36 billion, respectively.

COVID-19 INSIGHT

In order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place.

In addition, with a view to focusing on cash management and liquidity, the Group has taken the following proactive steps to preserve its cash position and ensure liquidity:

- Adoption of weekly dashboards and 'cash war rooms' which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives.
- Freeze on all non-essential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration till June 2020, subject to further review depending on the macro and operating environment.
- Leverage on relief and concessions granted by the Government and the Central Bank of Sri Lanka, such as various moratoriums on interest and debt servicing, concessionary working capital loans, among others.

While the forecasted liquidity position is comfortable, the Group is of the view that undertaking proactive steps ahead of further stresses will assist the businesses across the Group in maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory.

Refer Outlook section for further details - **page 123**

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. As at 31 March 2020, cash and cash equivalents decreased by Rs.18.96 billion, to Rs.8.76 billion.

- Net cash flow from operating activities was an outflow of Rs.10.35 billion for 2019/20, primarily on account of project-related costs pertaining to the 'Cinnamon Life' project which is captured under other non-current assets as work-in-progress costs.
- Net cash from financing activities was an inflow of Rs.18.43 billion, primarily on account of proceeds from long-term borrowings at 'Cinnamon Life'.

Leverage and Capital Structure

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

Total assets of Rs.436.94 billion as at 31 March 2020

Funding Channels

50% Shareholder funds	6% Non-controlling interest	31% Long-term funding/ creditors	13% Short-term funding/ creditors

Group Debt

Group debt increased by 85 per cent to Rs.100.91 billion [2018/19: Rs.54.51 billion]. The increases were primarily from Property, Leisure and Retail industry groups with additions of Rs.24.46 billion, Rs.23.36 billion and Rs.8.30 billion, respectively. The increases are mainly attributable to the following:

- Construction of 'Cinnamon Life' resulting in an incremental debt drawdown of Rs.24.11 billion during the year.
- Addition of lease liabilities of Rs.21.24 billion from the adoption of the new standard SLFRS 16 - Leases, primarily in the Supermarket business and the Maldivian Resorts segment.
- An incremental debt drawdown of Rs.2.78 billion for the refurbishment of 'Cinnamon Bentota Beach', which commenced operations during the year.
- An incremental bank overdraft of Rs.1.97 billion at the Supermarket business, utilised to fund new store operations.

Property, Leisure and Retail account for 89 per cent of Group debt with the industry groups contributing Rs.41.95 billion, Rs.29.46 billion and Rs.18.44 billion to Group debt, respectively.

Where businesses have foreign currency denominated income, borrowings in foreign currency are obtained to take advantage of the comparatively lower cost of foreign currency debt. This strategy has been practiced in the Leisure industry group, in particular, where foreign currency receipts are regularly monitored to proactively evaluate the borrowing capacity of the business. Currently, ~Rs.64.26 billion of overall debt is denominated in foreign currency, which translates to ~64 per cent of total debt [2018/19: 40 per cent]. It is pertinent to note that the exchange rate exposure arising from the 'Cinnamon Life' project is mitigated to an extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars.

GROUP DEBT

Rs.100.91 bn

2018/19: Rs.54.51 bn

85%

CAPITAL MANAGEMENT REVIEW

FINANCIAL AND MANUFACTURED CAPITAL

Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2020 stood at Rs.51.79 billion against Rs.65.71 billion in 2018/19; the decrease is on account of the reasons outlined under the Cash Flow section. Group cash and cash equivalents comprises of Rs.13.33 billion as cash in hand and at bank and Rs.38.46 billion under short-term investments. It is pertinent to note that, the life fund at UA amounts to Rs.2.87 billion whilst the restricted regulatory reserve at UA amounts to Rs.3.38 billion.

The notable increase in debt, particularly with the adoption of SLFRS 16 - Leases, coupled with the reduction in cash holdings of the Group, resulted in an increase in the net debt position of the Group to Rs.55.37 billion from Rs.4.38 billion as at end 31 March 2020. Net debt excludes short-term investments of the life fund of UA, restricted regulatory reserve of UA and customer advances from 'Cinnamon Life', as applicable.

In terms of the composition of liquid assets of the Group, Other, including Information Technology and Plantation Services accounted for 62 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.

Favourable indicators such as comparatively lower net debt/equity ratio indicates the Group's ability to increase its leverage to fund its investment pipeline, as and when required. It should be noted that the significant cash reserves of the Group are earmarked for equity commitments of the 'Cinnamon Life' project and other investments. Notwithstanding this, the Group is confident of its ability to fund projects, if feasible, and as required, thereby optimising equity returns.

Statement of Changes in Equity

Total equity of the Group as at 31 March 2020 stood at Rs.243.72 billion, a Rs.13.36 billion increase from the previous year [2018/19: Rs.230.36 billion]. The main increases were on account of profit after tax of Rs.9.74 billion and other comprehensive income of Rs.8.50 billion, which were partially offset by dividends of Rs.4.61 billion paid during the year.

		2019/20	2018/19
Current ratio	(times)	2.1	1.7
Quick ratio	(times)	1.2	1.5
Working capital	(Rs.million)	63,724	37,864
Asset turnover	(times)	0.4	0.4
Capital employed	(Rs.million)	344,631	284,871
Total debt	(Rs.million)	100,907	54,513
Net debt / (cash)	(Rs.million)	55,368	4,385
Debt/equity ratio	(%)	41.4	23.7
Net debt / (cash) to equity ratio	(%)	22.7	1.9
Long-term debt to total debt	(%)	70.2	39.0
Debt/total assets	(%)	23.1	15.0
Liabilities to tangible net worth	(times)	0.81	0.59
Debt/EBITDA	(times)	4.6	2.1
Net debt/EBITDA	(times)	2.5	0.2

Return on Capital Employed

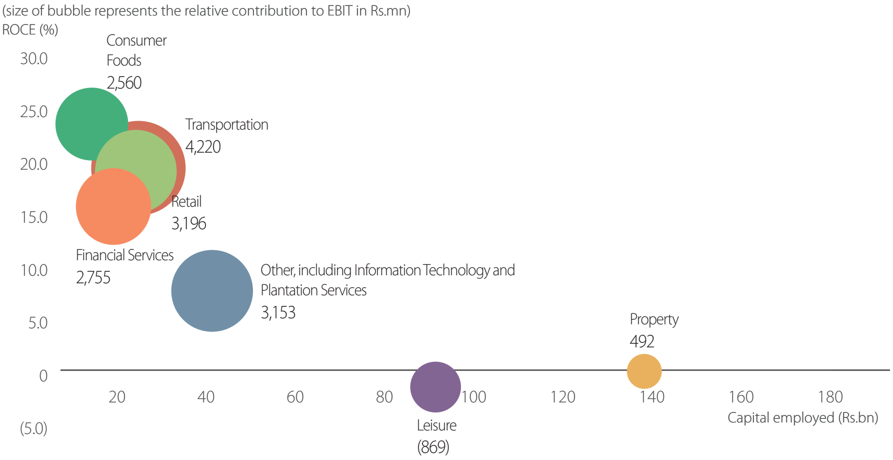
	Reported ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	4.8	=	9.8	x	0.39	x	1.27
2018/19	7.5	=	13.2	x	0.45	x	1.27

The Group return on capital employed (ROCE) decreased to 4.8 per cent in comparison to 7.5 per cent recorded in 2018/19. The decrease is a result of a deterioration in EBIT margins and lower asset turnover.

For a detailed discussion on the ROCE of each industry group, refer the Strategy, Resource Allocation and Portfolio Management section - page 137

The ensuing graph analyses the industry group ROCE performance, against the capital employed by the industry group and its contribution to EBIT.

Reported ROCE, Capital Employed and EBIT
(size of bubble represents the relative contribution to EBIT in Rs.mn)



Note: The Leisure industry group's profitability was negatively impacted on account of the Easter Sunday terror attacks and the global COVID-19 pandemic, both of which reduced tourist arrivals.

Return on Equity

	Reported ROE (%)	=	Return on Assets (%)	x	Common Earnings Leverage	x	Equity Multiplier
2019/20	4.5	=	2.4	x	0.97	x	1.94
2018/19	7.5	=	4.7	x	0.94	x	1.70

The Group return on equity (ROE) decreased to 4.5 per cent, compared to 7.5 per cent recorded in 2018/19, due to similar impacts as discussed under Group ROCE.

NATURAL CAPITAL

The Group has in place a well-structured Natural Capital management strategy which has been of paramount importance in enabling long-term sustainable value creation to the Group. Through this, the Group has established a comprehensive environmental management system which ensures policies and procedures assure sustainable and efficient operation of businesses whilst improving the bottom line. The Group is committed to efficiently managing inputs such as energy, water and conservation of biodiversity, while responsibly managing outputs such as emissions, waste and effluents.

Three-year performance indicators:

Standard		2019/20**	2018/19*	2017/18
302-1: 2016	Energy consumption: non-renewable sources (GJ)	298,146	367,016	368,333
	Energy consumption: non-renewable sources (GJ) per Rs.million of revenue	2.12	2.68	3.06
	Energy consumption: renewable sources (GJ)	120,961	105,952	109,506
	Energy consumption: renewable sources (GJ) per Rs.million of revenue	0.86	0.77	0.91
	Purchased energy: national grid (GJ)	393,166	376,013	362,298
	Purchased energy: national grid (GJ) per Rs.million of revenue	2.79	2.75	3.01
305-1: 2016	Direct greenhouse gas emissions - Scope 1 (MT)	22,244	27,510	27,532
	Greenhouse gas emissions from combustion of biomass	9,955	10,107	12,187
305-2: 2016	Indirect greenhouse gas emissions – Scope 2 (MT)	74,439	71,192	68,595
	Total carbon footprint (MT)	96,683	98,695	96,127
	Total carbon footprint (MT) per Rs.million of revenue	0.69	0.72	0.80
303-3: 2018	Water withdrawal (m^3)	1,896,084	1,798,465	1,857,371
	Water withdrawal (m^3) per Rs.million of revenue	13.47	13.14	15.42
303-4: 2018	Water discharge (m^3)	1,123,119	1,137,386	1,414,546
306-2: 2016	Volume of hazardous waste generated (MT)	298	382	439
	Volume of non-hazardous waste generated (MT)	7,551	7,925	8,828
	Waste recycled/reused by Group companies and through 3rd party contractors (%)	37	46	41
307-1: 2016	Significant environmental fines (Rs.)	Nil	Nil	Nil

** 2018/19 has been restated.*
*** Certain figures for the fourth quarter of 2019/20 have been estimated due to constraints in obtaining data given the outbreak of the COVID-19 pandemic and resultant curfew.*

In the 2016/17 Annual Report, the Group published a set of sustainability goals to be achieved by the year under review, which are tracked against a base-line year of 2015/16. The focus was predominantly on strengthening its commitment to optimising water usage and conserving energy, with an emphasis on managing impacts on Natural capital. The Group has continually monitored its performance against the aforementioned goals and its performance is presented in the ensuing sections, as relevant.

Energy and Carbon Footprint

During the year under review, the total energy consumption of the Group was 812,273 GJ [2018/19: 848,981 GJ], which was derived from non-renewable, renewable energy sources, and the national grid.

Total energy consumed in GJ	2019/20	2018/19	2017/18
Diesel	131,920	131,956	146,413
Petrol	11,914	21,097	24,096
Furnace oil	41,637	42,251	34,034
LPG	26,401	28,112	28,011
Jet fuel	86,275	143,608	135,779
Energy consumption from non-renewable sources (1)	298,146	367,016	368,333
Energy consumption from renewable sources – solar and biomass (2)	120,961	105,952	109,506
Purchased energy - national grid (3)	393,166	376,013	362,298
Total energy consumption (1) + (2) + (3)	812,273	848,981	840,137

CURRENT PROGRESS

Over a period of four years, the Group has implemented over 300 energy and water related initiatives at operational sites, having completed 73 per cent of the energy related initiatives and 80 per cent of the water related initiatives set out in the 2016/17 Annual Report.

WAY FORWARD

In a bid to further strengthen the Group's commitment to its Natural Capital management strategy, the Group will embark on establishing sustainability goals to be achieved by 2025, which would articulate goals specific to each industry group and these goals will be published in the 2020/21 Annual Report. This would provide the Group with a renewed set of goals, with a focus on contemporary environmental issues.

NATURAL CAPITAL

Continuing the steady progress of the preceding year, the Group has further strengthened its commitment towards the generation of renewable sources of energy, as depicted in the table below. This is typically in the form of biomass and solar power usage which enables the Group to reduce the strain on the national grid and the resultant carbon footprint. The following is noted at a business level:

- Significant investment in solar energy was made by the Supermarket business with 23 outlets installing solar panels during the year, bringing the total number of solar powered outlets to 56. Further, the Consumer Foods industry group, Plantation Services sector and Maldivian Resorts segment also undertook investments in solar energy.
- Being the highest consumer of energy in the Plantation Services sector, Tea Smallholder Factories PLC (TSF), fulfilled 66 per cent of its energy requirement through renewable energy sources such as biomass purchased from surrounding communities, thereby contributing to only 3 per cent of the Group's carbon footprint. Such practices have enabled the Group to reduce its environmental impact and operational costs, whilst also providing means of livelihood for surrounding communities.

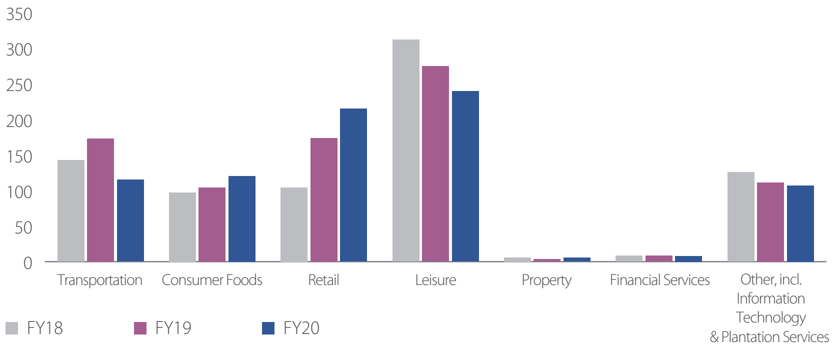
Renewable energy usage through solar power as at 31 March 2020

Industry group	Energy generated (GJ)	Percentage increase from last year
Retail	27,629	111
Leisure	2,882	70
Consumer Foods	247	installed this year
Plantation Services	1,864	installed this year

The Group generated 120,961GJ of power from both solar power and firewood, constituting 15 per cent of the Group's total energy requirement. Additionally, Group companies saved ~ 2,468 GJ, through various energy conservation initiatives.

Further details on these initiatives are found in the Industry Group Review section of the Report - page 61

Energy Consumption by Industry Group
(GJ '000)



The Leisure, Consumer Foods and Retail industry groups were the largest consumers of energy, accounting for over 71 per cent of the energy consumed and 85 per cent of the carbon footprint of the Group.

"The Group has strengthened its commitment towards generation of renewable sources of energy, with solar and biomass constituting 15 per cent of its overall requirement."

2019/20 energy reduction goal status

PERFORMANCE ON AN ABSOLUTE BASIS, MATCHED AGAINST A BASELINE ACTIVITY LEVEL

Status as at 2017/18
4% vs. 2015/16 Baseline

Status as at 2018/19
2% vs. 2015/16 Baseline

Status as at 2019/20
4% vs. 2015/16 Baseline

Goal for 2019/20
12% vs. 2015/16 Baseline

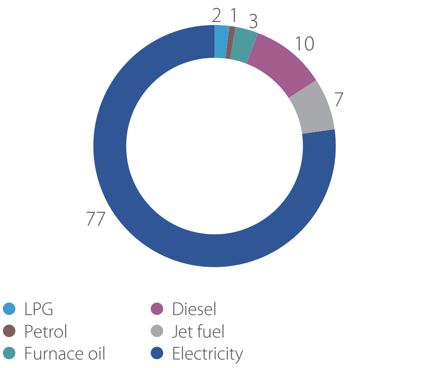
The Group recorded a 4 per cent increase in energy usage compared to the 2019/20 goal during the year under review. The progress towards the energy goal was impacted by lower levels of operational activity, resulting in a drop in efficiency levels in key sectors due to the Easter Sunday terror attacks and the COVID-19 pandemic. Changes in operating models in key businesses since the 2015/16 baseline also affected the performance against the goal. However, it is noted that the benefits of initiatives implemented by the Group over the past few years will accrue over time.

CARBON FOOTPRINT REDUCTION FROM RENEWABLE ENERGY AND INITIATIVES

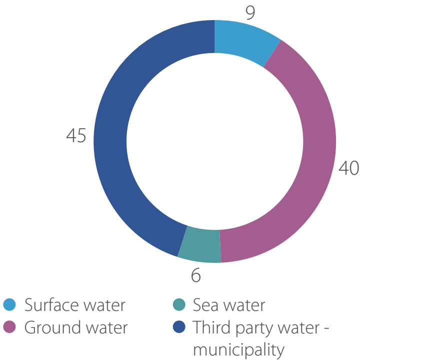
2019/20: 7,419 MT
vs. 2018/19

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

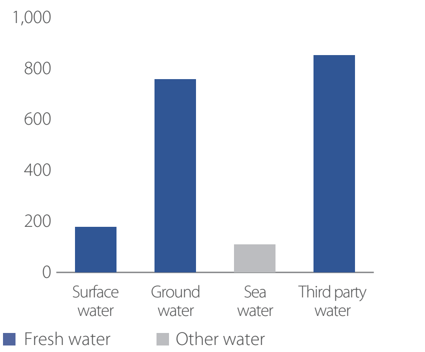
Carbon Footprint by Energy Type
(%)



Water Withdrawal by Source
(%)

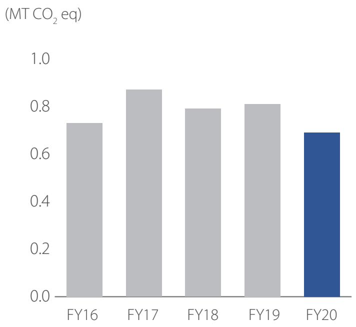


Water Withdrawn by Category
(m^3 000)



Contrary to the preceding year, the Group recorded a reduction of 2 per cent in its carbon footprint to 96,683 MT [2018/19: 98,695 MT], owing to lower jet fuel usage and lower operational activity in the Leisure sector. Initiatives such as the adoption of solar panels by the Supermarket business, Consumer Foods industry group, Resorts and Plantation Services sectors assisted the Group in managing its carbon footprint. Scope 1, direct energy carbon footprint amounted to 22,244 MT, while Scope 2, indirect energy carbon footprint amounted to 74,439 MT.

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



Water Management

As part of its Natural Capital management strategy, the Group monitors and measures water from all sources, which include ground water, inland surface water bodies, oceans, and pipe-borne water from the National Water Supply and Drainage Board, whilst all water withdrawn by the Group are from non-water stressed areas.

A total of 1,896,084 cubic meters of water was withdrawn by the Group which is a 5 per cent increase against 2018/19. The Group seeks to fulfil part of its requirement from green water sources through rainwater harvesting and reuse of treated water, where feasible. Given the nature of its operations, the Leisure, Consumer Foods and Retail industry groups account for the highest proportion of water consumed, with ~85 per cent of the Group's water consumed by these industry groups.

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

2019/20 water reduction goal status

PERFORMANCE ON AN ABSOLUTE BASIS, MATCHED AGAINST A BASELINE ACTIVITY LEVEL

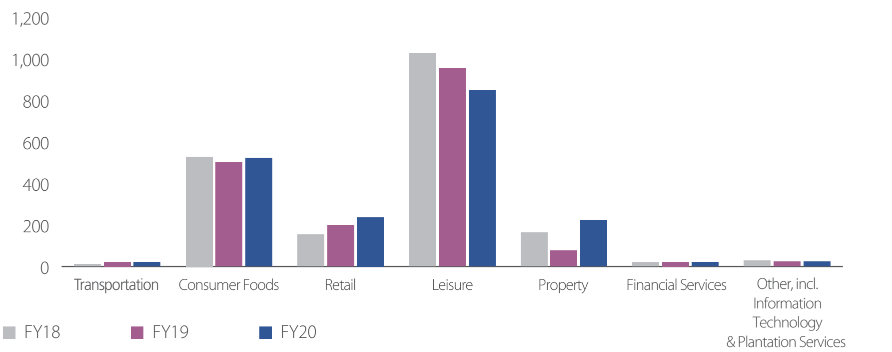
Status as at 2017/18
7% vs. 2015/16 Baseline

Status as at 2018/19
8% vs. 2015/16 Baseline

Status as at 2019/20
4% vs. 2015/16 Baseline

Goal for 2019/20
6% vs. 2015/16 Baseline

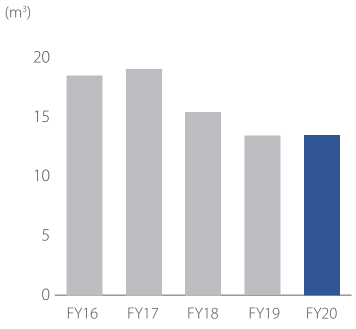
Water Withdrawn by Industry Group
(m^3 000)



For the third consecutive year, the Group recorded a reduction in water usage, compared to the baseline year of 2015/16, through the commitment of Group companies. However, due to the aforementioned factors that contributed to impacts in efficiency levels, the Group was able to record a reduction of 4 per cent against the 2019/20 goal.

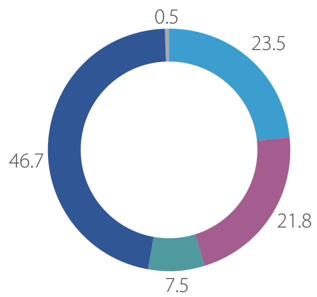
NATURAL CAPITAL

This year, the Group reported a marginal increase in its water usage per Rs.million of revenue, despite an overall declining trend over past years.



Where feasible, the Group makes concerted efforts to reduce its water requirement through the recycling of treated effluent which is brought to an acceptable quality. The Group ensures compliance with regulatory standards, as per relevant Environmental Protection Licenses (EPL) when returning such water to the environment.

Water Discharge by Method
(%)



- Discharged to surface water
- Discharged to ground water
- Discharged to sea
- Discharged to third party: municipality
- Discharged to third party: provided to another organisation

During the period under review, the Group discharged 1,123,119 cubic meters of effluent, all of which was discharged to non-water stressed areas, and categorised as fresh water (less than 1,000 total dissolved solids). 43 per cent of the water was treated through on-site sewage treatment plants at various operational locations prior to being discharged whilst 37 per cent of water withdrawn was completely recycled. Such water was utilised for general cleaning and gardening, among others.

Business units carry out a range of initiatives such as awareness campaigns and installation of water saving fixtures and equipment.

Effluent treatment plant at 'Cinnamon Citadel Kandy' used to treat water discharged

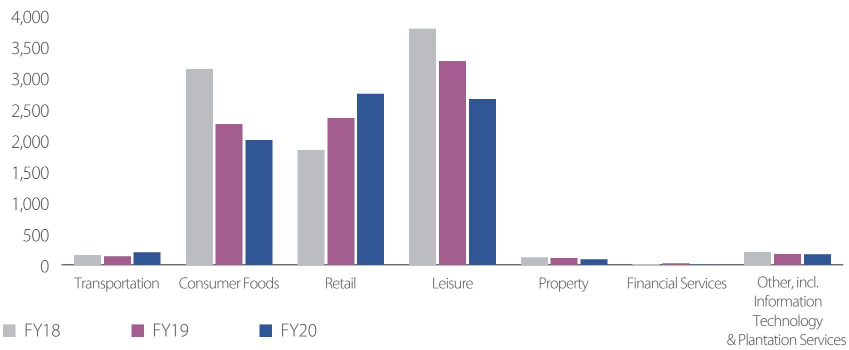
A detailed discussion of water withdrawal and discharge by industry group, as well as water saving initiatives, can be found in the Industry Group Review section of the Report - **page 61**

Waste Management

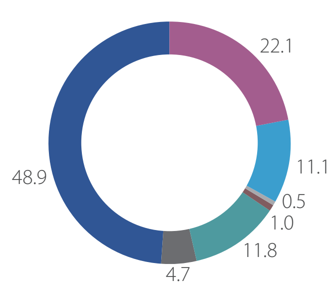
Waste generated by the Group decreased to 7,849 MT from 8,306 MT in 2018/19, mainly due to a decline in operational activity in the Leisure industry group. Of this, 298 MT was classified as hazardous waste and disposed through specialised third-party contractors. Of the total waste generated, 37 per cent was recycled or reused by the Group's business units and/or through selected third-party contractors. The Leisure, Consumer Foods and Retail industry groups contributed to over 95 per cent of the waste generated by the Group as depicted in the chart below.

Further details of how such waste was generated, reused and recycled are available in the Industry Group Review section of the Report - **page 61**

Waste Generated by Industry Group
(kg '000)

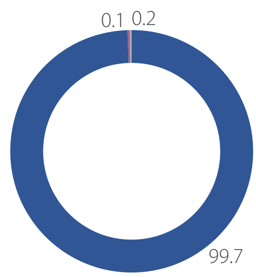


Non-hazardous Waste Disposal by Method
(%)



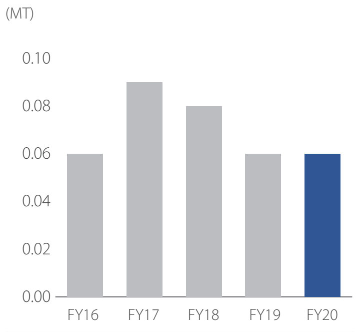
- Reuse
- Recovery
- Deep well injection
- Recycling
- Incineration
- Landfill
- Composting

Hazardous Waste Disposal by Method
(%)



- Recycling
- On-Site storage
- Landfill

Continued efforts towards waste reduction proved fruitful, with waste generated per Rs.million of revenue declining by 8 per cent



CSR Initiatives

John Keells Group strongly believes in the importance of conserving our environment for future generations and business sustainability. To this end, the Group makes a conscious and collective effort to protect and promote environmental and biodiversity conservation through its social responsibility entity, JKF. The ensuing section discusses the key projects undertaken by JKF.

CSR FOCUS AREA - ENVIRONMENT

www.johnkeellsfoundation.com

Nature Field Centre, Rumassala

The Nature Field Centre in Rumassala – established in 2008 by the Central Environmental Authority (CEA) in collaboration with JKF - works as a platform to facilitate experiential learning on environment and biodiversity conservation particularly among school children. The Centre continued to attract a steady number of visitors during the reporting period with 2,275 visitors participating in CEA's awareness programmes.

Paper Conservation

The Group continued to collect waste paper from business locations for shredding and recycling during the reporting period.

'PLASTICCYCLE' SOCIAL ENTREPRENEURSHIP INITIATIVE

'Plasticcycle' was launched in 2017 with the vision of being the catalyst in significantly reducing plastic pollution in Sri Lanka. 'Plasticcycle' seeks to drive change through three key areas of focus - creating awareness, supporting responsible disposal and promoting recycling.

Awareness initiatives undertaken during the year:

- Awareness campaign educating up to 10,000 commuters who use the expressway to recycle their waste plastic bottles.
- Worked closely with legislative bodies of various cities in Sri Lanka to place bins and raise awareness among the residents on the effective management and recycling of plastic waste.
- Promoted a theme of 'Zero Plastic' across distinct events held by the Group.
- Provided technical assistance for selecting gifts with limited single-use plastics to the children of the staff during the Christmas season.
- Commenced awareness programmes on plastic waste in schools, educating students on the importance of the 4R's (Refuse, Reduce, Reuse and Recycle), having conducted the first training programme at the Overseas School of Colombo and the Asian Grammar School, Kolonnawa.

Actions to support responsible disposal:

- Placed bins at the Outer Circular Highway, on the Kerewalapitiya interchange and Kadawatha exits.
- Placed collection points at supermarkets, including 43 'Keells' outlets, 5 Laughs outlets and 3 Softlogic Glomark outlets.
- Expanded collection points to sports, community and recreational venues including the Sugathadasa Outdoor and Sugathadasa Indoor Stadium and the newly constructed Community Centre at Slave Island.

Promoting recycling initiatives:

- Signed an MoU between 'Hikka Tranz by Cinnamon' and the Marine Environmental Protection Authority (MEPA) to commence a 'Beach Caretaker Project' to clean and maintain a stretch of beach along the resort.
- Participated in the 10-day Ashara Mubaraka event held in Colombo and the 'Annual Kala Pola 2020 Open Art Fair'.
- Completed a pilot project by the Sri Lanka Navy which aims to address non-recyclable plastics, including the testing of the prototype chamber and development of a product catalogue that will be marketed by the Sri Lanka Navy.

Progress

- The Southern Expressway Project collected 2 MT, equivalent to over 60,000 PET bottles.
- Together with the Sri Lanka Recyclers Association, collected and recycled 58 MT of plastic waste, equivalent to over 1.6 million PET bottles.

ZERO WASTE DAY

As part of the ongoing environmental sustainability drive, the Group initiated a zero waste day for all employees. The first Friday of each month is identified as a 'Zero Waste Day', where all employees are requested to refrain from bringing single use waste to work and encouraged, wherever possible, to reuse paper. Tips for going 'Zero Waste', at meetings, workstations and the lunch room are also shared with employees with the objective of cultivating a mindset that aims to reduce or eliminate waste where possible.

CAPITAL MANAGEMENT REVIEW

NATURAL CAPITAL

The impact figures for the year under review are summarised below:

IMPACT DURING THE YEAR

18,111 Kg of waste paper collected with a payment of Rs.144,888

Indirect Savings:

- 309 Trees
- 575,567 litres of Water
- 72,444 kWh of Electricity
- 31,784 litres of Oil
- 54 m³ of landfill

Fauna and Flora Conservation

JKF continued its long-term collaboration with 'Cinnamon Hotels & Resorts' to support Elephant research in the Anuradhapura District for the 5th consecutive year. Furthermore, JKF and Ruk Rakaganno – The Tree Society of Sri Lanka - agreed to collaborate on a four-year project to reforest 20 hectares of degraded land near Sinharaja through ecological restoration principles. The timing of project initiation will be determined when the situation normalises post COVID-19.

Beach cleaning initiative

JKF in collaboration with 'Cinnamon Hotels & Resorts', organised periodic beach clean-ups as part of its sustained commitment to the preservation of the coastal and ocean ecosystem. The Marine and Coastal Conservation Authority and Sri Lanka Navy supported 'Cinnamon Wild Yala' in these efforts.

Further details are found in the Industry Group Review section of the Report - page 61

A volunteer at a beach clean up

HUMAN CAPITAL

The underlying essence of the Group's strategy relating to Human Capital is centred around key principles of 'inspiring people', 'caring for people' and 'leadership' which acts as the foundation towards talent attraction, retention, employee productivity and satisfaction. To this effect, the Group has in place a robust set of systems and processes which aims at cultivating an environment which values diversity, innovation, excellence and employee welfare.

Three-year performance indicators:

Standard		2019/20	2018/19	2017/18
	Total workforce (employees and contractors' staff)	20,578	20,765	20,361
201-3: 2016	Employee benefit liability as of 31 March (Rs.million)	2,344	2,086	1, 971
401-1: 2016	Total attrition (%)	23	24	26
	New hires (%)	65	63	60
403-9: 2018	Number of injuries	118	202	209
	Number of people educated on serious diseases	29,630	63,931	724,586
404-1: 2016	Average hours of training per employee	44	45	47
404-3: 2016	No. of employees receiving performance reviews (%)	100	100	100
408-1: 2016	Incidences of child labour (below age 16)	0	0	0
	Incidences of young workers (aged 16-18)*	0	0	0
409-1: 2016	Incidents of forced labour during the year	0	0	0

** Young workers are employed under the guidelines of the Employers' Federation of Ceylon.*

HUMAN RESOURCE INFORMATION SYSTEM

The Group successfully completed the implementation of its transformative Human Resource Information System (HRIS) in April 2019. This state-of-the-art system has garnered the following benefits to the Group;

- Increased efficiency and effectiveness by automating and simplifying end-to-end HR processes.
- Fostered real-time employee engagement by connecting the Group's diverse workforce through a single platform.
- Enhanced the Group's capacity to store and retrieve HR information whilst enabling paperless transactions.

Employee Diversity

The Group prides itself as an equal opportunity employer and is committed to fostering a diverse and inclusive workforce where all employees are given equal opportunity and are free from all forms of harassment and discrimination. Its non-discrimination policy commits to maintaining a workplace free from physical or verbal harassment or discrimination based on race, religion, gender, age, nationality, social origin, disability, sexual orientation, family status, political affiliation or opinion. Furthermore, the Group encourages a culture of tolerance and open communication and has in place conflict management strategies to resolve any concerns. The Group holds all employees responsible for respecting rights and differences of their fellow colleagues and treating each other with respect, despite differences in religion, race, opinion or belief, among others.

Workforce as at 31 March 2020	20,578	%
Employees*	14,359	70
Outsourced personnel (neither staff employees nor seasonal workers)	6,219	30

**Of the Group's total employees, 538 are placed in the Maldives, with the remainder domiciled in Sri Lanka.*

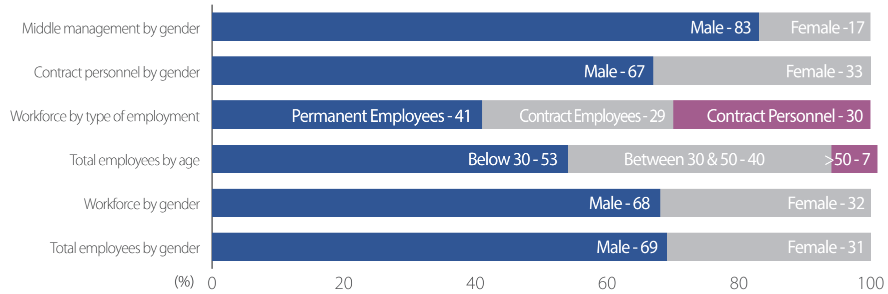
The Group consciously monitors indicators surrounding gender and age, as demonstrated by the below diagrams. In the Leisure industry group, notable strides were taken towards improving female participation in its workforce and the Group is conscious of the need for proactive strategies to address issues such as gender parity. The Group has extended its focus to distinct value chains within Group businesses to better understand how it can engage and encourage diversity within their own operations.

In 2017, the Group was one of 16 corporates to join the International Finance Corporation's (IFC) 'SheWorks' Sri Lanka partnership which is one of the flagship initiatives of the Women in Work Programme, in collaboration with the Australian Government (DFAT), with the objective of working with the private sector to close gender gaps by enhancing gender smart solutions, while improving business performance. The achievements of 16 women and men who have championed gender equality in their workplaces over the last two years were celebrated as part of the launch of a new campaign 'Together We Can'.

Whilst the Group has revised its maternity and paternity leave policies as well as introduced flexible work arrangements, it has seen an increase of 5 per cent of women in the workforce since joining the programme, where commitments were made to; increase women's business leadership, ensure recruitment and retention of talent in the workplace, promote effective anti-sexual harassment mechanisms, support women in the value chain as employees and entrepreneurs and foster the Group's leadership and commitment to women's employment as a smart business strategy.

The Group is in the process of considering the setting of gender targets for its workforce, having women-centric training, male mentors and supporting childcare facilities to further support female participation, retention and leadership opportunities.

The Group has noted positive progress in its demographic breakdown with 54 per cent of its employees being under the age of 30 [2018/19: 52 per cent]. The Group has also seen a positive increase in the overall female population with 42 per cent of employees under the age of 25 being female [2018/19: 39 per cent].



COMPOSITION OF KEY MANAGEMENT COMMITTEES

7 member Board of Directors

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

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

- 2 members are over 50 years whilst 4 members are between the ages of 30-50 years.

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

- 12 members are between the ages of 30-50 whilst 2 members are over the age of 50.
- 5 female members.

Talent Management

The Group's talent management strategy follows a holistic approach, with emphasis given to retaining key employees and addressing attrition, particularly in industry groups which have historically experienced high turnover, by constantly facilitating and advocating employee engagement.

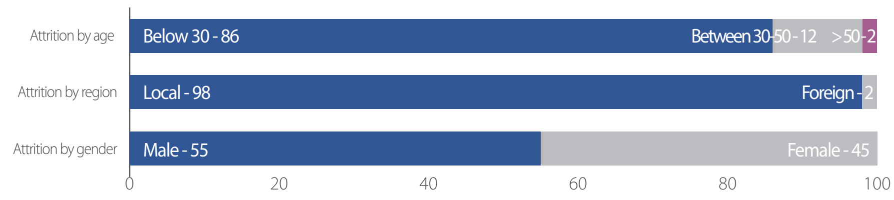
The Group's total attrition rate (for executives and non-executives) and new hire attrition rate was 23 per cent and 4 per cent respectively. This excludes the Information Technology sector and the Supermarket business, which inherently experiences higher turnover levels compared to other sectors. With the increased supply of hotel rooms, some pressure on staff retention was faced by the Sri Lankan Resorts segment, while the Plantation Services sector also contributed to staff turnover during the year.

EMPLOYEE ENGAGEMENT SURVEY

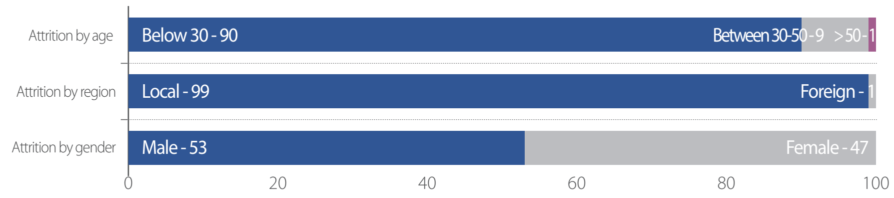
An employee engagement survey was successfully conducted this year by a third-party, to obtain necessary insights through employee feedback and identify key areas of concern, and to further build on the Group's HR framework and strategies.

The results were analysed and presented to the GEC, with insights being incorporated into Group and individual business strategies and action plans.

Attrition
(%)



New Hires
(%)



The Group leverages on the various functionalities of its IT platforms to hire, manage, develop and retain talented employees. The HRIS, is a comprehensive system which provides employers with a multitude of tools and aids the recruitment process. Moreover, the Internal Job Posting Programme provides the Group with an opportunity to mobilise its workforce more effectively by facilitating employee mobility across the Group. Further, the Group has in place a talent management module in its HRIS aimed at creating talent pools, identifying critical roles and strengthening succession planning. Attrition amongst staff identified as 'Talent' has been negligible, due to the added emphasis shown by senior management to their overall development, whilst executive level attrition has typically remained lower than non-executive level attrition.

The Group continues to attract talent externally through its strategic partnerships with universities and other higher educational and vocational training institutes. To this end, the Group was the Platinum sponsor for the University of Moratuwa's annual career fair and facilitated a number of career guidance programmes, including panel discussions and a resume centre. Further, the Group's Data and Advanced Analytics Centre of Excellence, along with Microsoft Sri Lanka were the main sponsors of the Data Science Hackathon event organised by the Stat Circle of University of Colombo to promote data science in Sri Lanka.

The Group's Management Trainee programme is now in its thirteenth successful year. The 'Fast Track' summer internship, which was revamped during the year, targets second and final year undergraduates, and has been also successful in providing students with a diversified corporate work experience.

Detailed discussions of business-specific initiatives aimed at attracting and retaining employees is found in the Industry Group Review section of the Report - **page 61**

Performance Appraisals

The Group's performance cycle is conducted through formal feedback on a bi-annual basis to the executive cadre and annually to others, ensuring that all Group employees receive regular appraisals in addition to continuous informal feedback. This process allows the Group to distinguish between high performers and successors, whilst also providing the means for the Group to identify those individuals in need of support and require development in discharging their duties. It is also noteworthy that the appraisal process encourages employees to contribute to the Group at large, as opposed to the business unit or functional unit they belong to. The HRIS system has further augmented performance management, by facilitating ongoing feedback on performance. The Group's '360 survey', a platform provided to employees on providing constructive feedback to their peers and superiors, was administered through the HRIS during the year.

Recognition

The Group strives to ensure that employees feel recognised and encouraged, with several employee recognition schemes in operation at both a Group and business level. Special budgetary allocations are made available for this purpose, with awards for innovation and disruptive digitisation, sustainability and CSR volunteerism also included in the Group's recognition schemes. Online recognition tools were introduced during the year to enable all employees to recognise their colleagues for going the extra mile and displaying the values treasured by the Group, in the form of 'Badges', which are recorded on employee profiles and linked to the performance management portal on the HRIS.

Learning and Development

Learning and development forms part of the Group's talent management strategy and is designed to support the achievement of individual goals and performance with the Group's overall vision and goals. Further, the Group strongly believes that investment in learning and development is imperative for talent retention and sustainable competitive advantage. To this effect, the Group has in place initiatives and customised trainings on key competencies and skills. A total of 629,844 training hours [2018/19: 633,726 hours] were recorded at an average of 44 hours of training per employee per annum with 35 hours for females and 48 hours for male employees.

The Group successfully implemented a contemporary Learning Management System through the HRIS in a bid to cultivate a culture of continuous learning and development. The platform facilitates a more engaged and proactive learning experience to all employees through its blended, bite-sized, and self-paced learning solutions. Further, the Group embarked on a pilot project, 'EnglishBolo' in a bid to provide employees a platform to improve their English language skills through a 100-day programme that combines online e-learning modules with virtual classroom sessions. A mandatory policy training was initiated for all John Keells staff on Anti-Fraud, Code of Conduct, Policy against Sexual Harassment and John Keells IT policy through the HRIS. Efforts to inculcate a continuous learning culture, resulted in the launch of a series of initiatives such as 'Home Grown' and 'Open Mic' which promoted internal talent from distinct industry groups and functions, to share their insights and experience.

GRI 102-41

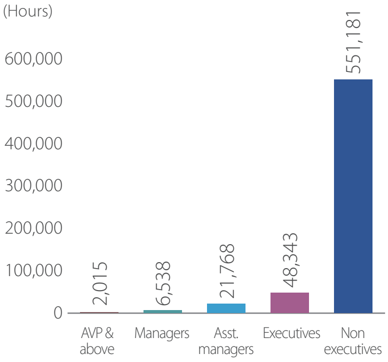
Leadership development programmes for first-time team leaders, middle-management, and c-suite levels were conducted through 'SHINE', a Management Development Programme in collaboration with the Post Graduate Institute of Management. The Group's Data and Advanced Analytics Centre of Excellence continued to engage in courses and deep dive sessions as well as online courses customised for each cohort. Assessments were conducted prior to enrolling employees to the next level of certification.

Following the Easter Sunday terror attacks, vigilance trainings were conducted for all employees, whilst special psychosocial initiatives were deployed for staff of 'Cinnamon Grand Colombo' as well as other Group staff who required the same.

Detailed discussions of business-specific training initiatives for employees is found in the Industry Group Review section of the Report - page 61

Total Training Hours

(Hours)



Collective Bargaining

Engagement with trade unions through joint consultative committees and other mechanisms are carried out on an ongoing basis by the Group. Formal agreements are found in the Consumer Foods industry group and the Resort sector covering over 1,006 employees and accounting for 7 percent of the Group's total employee count. TSF's wage structure is aligned with the regulations of the country's plantation industry.

Health and Safety

The Group has in place robust policies and processes to ensure a safe working environment for its employees – open communication, strict safety policies and training are prioritised across the Group, to ensure that it is a 'Safe Place to Work'. As part of its Human Capital management strategy, incidents are recorded and monitored on an ongoing basis. The main types of injuries are categorised as falls, injuries from cuts and pricks and injuries from moving heavy objects. No fatalities of employees or contractor's personnel as a result of normal Group operations were reported during the year under review, however, the Group experienced a tragic loss when 5 of its employees at the 'Cinnamon Grand Colombo' lost their lives as a consequence of the Easter Sunday terror attack.

Injuries	Employees	Contractor's personnel
High consequence injuries (number)	0	0
High consequence injury rate	0	0
Recordable injuries (number)	92	26
Recordable injury rate	0.6	0.4
Number of hours worked (millions)	28.72	12.44

Note: All injury rates have been calculated based on 200,000 hours worked.
High consequence injuries are injuries that require more than 6 months recovery time.
Recordable injuries are injuries that require recovery time of greater than 1 day and less than 6 months.

During the outbreak of the COVID-19 pandemic, the Group implemented stringent measures to ensure the health and safety of its workforce. The Group established a work arrangement protocol with detailed guidelines to be followed when entering the workplace, working from home, conducting meetings on site, travelling and ensuring work place hygiene. Further details of COVID-19-related health and safety measures can be found under the respective industry groups.

Employee Benefit Plans

In Sri Lanka, employees are eligible for the Employees' Provident Fund (EPF) and the Employees' Trust Fund (ETF) contributions. Employees who are Maldivian nationals or employed in the Maldives are eligible for the Maldives Retirement Pension Scheme (MRPS) contributions. The total contribution made to the trust funds for the reporting year was Rs.179 million (3 per cent of salary contributed by employer) while the total contribution made to the provident fund was Rs.817 million (12- 20 per cent of salary contributed by employer and 8-15 per cent of salary contributed by employee). In Sri Lanka, employees are also entitled to retirement gratuity. The employee benefit liability as at 31 March 2019 was Rs.2.3 billion.

Staff Volunteerism

Staff volunteers are the driving force of the projects conducted by JKF - the social responsibility entity of the Group. 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, which has typically resulted in a multitude of benefits to the Group as well as the individuals. The Group's flexible volunteer leave policy enables its employees to engage in volunteerism with minimum restraint. Staff volunteers can vary from project champions, volunteer trainers and skill-based volunteers to field-based and administrative support.

During the year under review, 778 staff volunteers engaged in projects undertaken by JKF while 1,368 volunteer instances and 4,937 hours were recorded. This excludes CSR initiatives that were undertaken at a sector/business level.

JKF giving the GOC a virtual tour after Chairman launches JKF's revamped website

SOCIAL AND RELATIONSHIP CAPITAL

The Group understands that sustainable value creation depends on the ability to sustain strong and lasting relationships with customers, suppliers, community and all other stakeholders. To this end, the Group is engaged in a multitude of initiatives that enhance collaboration and reciprocity between the Group and its key stakeholders. It is noteworthy to mention that the Group had no environmental or other significant fines during the year except for minor product related fines in the Retail sector which have been duly addressed and rectified, and did not experience any non-compliance with regard to marketing communications.

79 percent of the Group's economic value distributed was spent on goods, services and utilities locally. This is derived by the number of operations, location of revenue generation and significant location of operations. The Group actively engages in sustainable sourcing habits, which is aimed at growing and supporting the community which comprises of many small businesses. To this end, the Group spent Rs.5.6 billion, mainly on the purchase of fresh produce, particularly by the Consumer Foods and Retail industry groups and the Sri Lankan Resorts segment.

Three-year performance indicators:

Standard		2019/20	2018/19**	2017/18
203-1: 2016	Community services and infrastructure projects (Rs.million)	111	115	125
204-1: 2016	Proportion of purchases from suppliers within Sri Lanka (%)	79	78	72
413-1: 2016	Community engagement (no. of persons impacted)	833,234	946,082	1,455,814
	Sustainability integration awareness (no. of business partners)	134	80	80
	Business partners screened for labour, environment and human rights	89	90	90
417-1: 2016	Proportion of labels carrying ingredients used (%)	80	80	80
	Proportion of labels carrying information on disposal (%)	88	93	92
	Proportion of labels carrying sourcing of components (%)	1	1	1
417-3: 2016	Voluntary standards relating to advertising	Group policy based on ICC Code		
419-1: 2016	Monetary value of significant fines*	2,171,500	1,021,875	Nil
205-1: 2016	Proportion of businesses analysed for risk of corruption (%)	100	100	100

** Significant fines are defined as fines over Rs.1 million.*
*** 2018/19 has been restated.*

Product Responsibility

The Group is committed in maintaining the highest quality in its product and service offering, by adhering to all statutory and legal requirements, local and international as well as best practice. Robust quality management processes are in place to ensure the highest quality in processes, responsible marketing and communications and consumer and employee health and safety. The Group's affiliation to the certification of ISO 9001, ISO 14001 and OHSAS 18001 signifies its commitment in this regard.

Supply Chain Management

The Group's supplier code of conduct aims to embed sustainable business practices within its value chain with an aim to create, protect and grow long-term environmental, social and economic value for all stakeholders. This includes 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. To this end, the Group has made it a pre-requisite to assess all new suppliers prior to being contracted with, and conducted assessments on 89 existing suppliers.

The Group constantly invests in educating and engaging with its suppliers, to share best practice on sustainable conduct. During the year, the Group engaged with 134 suppliers in Sri Lanka and Maldives.

The 'Group Initiatives' Division reinforces the Group's commitment towards a sustainable value chain by providing functionalities to assess tenders and online bids for high value items sourced, based on social and environmental aspects in addition to price and quality.

"The Group's supplier code of conduct aims to embed sustainable business practices within its value chain with an aim to create, protect and grow long-term environmental, social and economic value for all stakeholders."

Social Responsibility

During the reporting year, John Keells Foundation (JKF) - which was incorporated on 28 March 2005 - marked its 15th year of reaching out to under-served communities in various parts of Sri Lanka through multiple medium to long-term strategic and sustainable projects.

CSR FOCUS AREA - LIVELIHOOD DEVELOPMENT

www.johnkeellsfoundation.com

A Financial Literacy session under John Keells 'Praja Shakthi' initiative

JOHN KEELLS PRAJA SHAKTHI

This is a business centric, community empowerment initiative, which aims to create value amongst communities around and within proximity to Group businesses. The pilot programme is currently active in Colombo 2, Hikkaduwa, Ranala and Nithulemada. Community interventions are customised to the needs of each location and are planned and implemented in collaboration with all relevant stakeholders.

Key pilot projects undertaken by JKF during the year under review:

- Supporting infrastructure – JKF in collaboration with the Colombo Municipal Council and 'John Keells Properties' constructed and funded the De Mel Park Multi-Disciplinary Community Centre in Colombo 2 which was completed and vested in the public. The facility addresses a long-felt need for a common space for community-based activities including those organised under the John Keells 'Praja Shakthi' programme.
- Gender empowerment - Supported the establishment of a women's society in the Hunupitiya GN division of Colombo 2. JKF also initiated a pilot programme to support women engaged in the production of batik in Hikkaduwa in collaboration with Urban Island (a social enterprise of AOD International Design Campus).
- Livelihood enhancement through upskilling – Initiated discussions with the Self-Employed Vendors Society of Galle Face and women engaged in catering services, towards supporting upskilling and upgrading of infrastructure and markets in Colombo 2.
- Capacity development – JKF entered into an MoU with Sanasa Development Bank (SDB) to conduct awareness programmes on financial literacy. A total of 03 sessions were conducted in Colombo 2 and Hikkaduwa benefiting a total of 87 persons.

Village Adoption

This initiative is aimed at uplifting the lives and living standards of disadvantaged and under-served communities by providing the necessary means to attain relevant skills and infrastructure to foster sustainable livelihoods and promote a mindset of self-reliance. Its scope covers a wide range of activities, progressively implemented over a period of 5 – 10 years. Initiatives are decided upon independent studies and dialogue, with an aim to manifest a culture of independence, self-reliance and entrepreneurship.

During the year, JKF continued its development focus on 3 villages - Iranaipalai and Puthumathalan in the Mullaitivu district, and Nithulemada in the Kandy district.

Key initiatives of JKF:

- **School WASH initiative in Puthumathalan** – JKF in collaboration with ADRA Sri Lanka, completed the renovation of the school well, in a bid to strengthen its rainwater harvesting system at Mathalan primary school, including a carbon filtration unit and construction of a new hand washing unit. Estimated impact of 58 children and 6 teachers.
- **Farm irrigation initiative in Iranaipalai** – JKF in collaboration with World Vision Lanka (WVL) commenced construction work on an anicut to divert rainwater to paddy fields and regulate the irrigation system in the area. Estimated to benefit 90 farmers, aiding them to irrigate 300 acres of paddy land, and an additional 10 farmers from the bordering village to cultivate 75 acres of land. However, completion of construction work has been delayed by the indefinite curfew affecting the Island following COVID-19.
- **Clean water access in Nithulemada** – Commissioned an assessment through ADRA Sri Lanka to identify a sustainable solution to provide access to clean water.
- **Pre-school development initiative** – Following the detailed assessment carried out by WVL and discussions with multiple stakeholders, identified and initiated work on a sustainable solution.

Rural BPO Support

JKF supported three rural BPO units in Mahavilachchiya, Seenigama and Jaffna by organising sustained leadership training for 16 associates.

CSR FOCUS AREA - EDUCATION

www.johnkeellsfoundation.com

English Language Scholarship Programme (ELSP)

JKF continues to offer scholarships to improve proficiency in the English language among aspiring school children from rural and under-served communities, to equip these students with sufficient education to follow a sustainable career path. The need for such programmes is further reinforced by Sri Lanka recording a very low proficiency under the EF English Proficiency Index.

697 scholarships were offered during the year, under the programme 'English for Teens' to students aged 12-14 from disadvantaged Government schools. This course entails a 76-hour Tier 1 course combining English and ICT, with high-performing students being provided the opportunity to progress to Tier 2 of the scholarship scheme, which includes a more intense and challenging programme with an emphasis on developing soft skills.

Under the John Keells 'Praja Shakthi' model, a total of 91 scholarships were awarded in Colombo 2, Hikkaduwa, Nithulemada and Ranala while 'English for Teens' offered scholarships in 19 locations covering 8 provinces.

500 students from 14 Districts who completed ELSP in 2018/19 participated in the John Keells Provincial English Day events held in the Central, Eastern, Northern, Southern and Western Provinces. These events, organised in collaboration with Union Assurance, 'Cinnamon Hotels & Resorts' and 'Keells' supermarkets, provide a platform for the scholars to showcase their talents through performance of dramas and poems, build self-confidence, learn from one another and be assessed by an independent panel of judges.

In addition, the following customised programmes were conducted during the year in review:

- The School for the Blind, Ratmalana – A total of 38 students of Grades 1-5 followed and completed a speech and drama course affiliated to the CALSDA examination.
- University of Moratuwa graduates – A customised total immersion English programme was completed by 58 first year undergraduates of the Transport and Logistics Management (BSc (T&LM) Hons.) Degree programme.

John Keells 'Praja Shakthi' – Education and Skills Development

During the year under review, JKF's 15-year old 'Neighbourhood Schools Development Programme' which was done in collaboration with the City Hotels sector was brought within the purview of John Keells 'Praja Shakthi'. The following initiatives were implemented;

- School infrastructure and education support
  - The De Mel Park Multi-Disciplinary Community Centre includes a pre-school that is designed to double as a crèche to support young working parents. The pre-school commenced operations with the participation of 31 children.
  - Constructed 5 toilets at Yashodara Sangamiththa Vidyalaya in Hikkaduwa benefiting 173 children and sponsored the printing of examination papers for grade 5 scholarship students benefiting 1,350 students.
- Career guidance and Vocational Training
  - 73 youth aged between 18 - 25 benefited from two career guidance programmes held in Hikkaduwa and Colombo 2 covering personal effectiveness, leadership, personal grooming, social etiquette, CV writing and Interview skills as well as career and growth opportunities in the retail, hospitality and property sectors. The programme facilitated exposure visits to a hotel and a 'Keells' supermarket. One school leaver is currently enrolled in vocational training in the Leisure industry group.

Panellists of the 'STEP UP to Careers' – a one-day career skills workshop

Soft Skills for University Undergraduates

'STEP UP to Careers' – a one-day career skills workshop was launched by JKF in collaboration with the University Grants Commission, Rotaract and Leo student bodies, with the aim to enhance the employability of undergraduates. The programme which included a career fair attracted the participation of 110 students from both state and public universities and entailed the involvement of 17 Group businesses and 23 staff volunteers.

CSR FOCUS AREA - HEALTH

www.johnkeellsfoundation.com

The John Keells Vision Project

The 'John Keells Vision Project' is primarily an island-wide cataract initiative, implemented through the Vision 2020 Secretariat of the Ministry of Health, supported by Ceylon Cold Stores PLC (CCS) and aimed at addressing Sri Lanka's primary cause of preventable blindness.

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

- Funding and volunteer support for a total of 5 cataract clinics in 3 provinces, resulting in the completion of 233 cataract surgeries. The cumulative number of cataract surgeries completed under the Project since its launch in 2004 is 13,674.
- Vision screening was conducted in 107 schools of the Colombo District, with over 35,700 school children being tested and 1,822 eye glasses provided free of charge, resulting in a cumulative project total of 13,641 eye glasses.

Project WAVE (Working Against Violence through Education)

'Project WAVE' (Working Against Violence through Education) is a long-term project launched in 2014 to combat gender-based violence and child abuse through awareness creation and capacity building amongst Group employees, strategic target communities and the general public.

Since the launch of the project, general sensitisation has been conducted across all sectors of the Group. During the year under review, awareness programmes were conducted impacting 214 staff and 10,744 external persons (including via public campaign awareness), with a cumulative impact-to-date of 334,645 persons.

Key initiatives during the year under review:

- The annual public awareness campaign against sexual harassment was conducted for the fourth successive year in commemoration of the International Day for the Elimination of Violence against Women. The campaign was conducted under the theme 'Report for Support' with the objective of raising awareness on police helplines available to report incidents of sexual harassment focusing on five select locations - namely, Colombo 2, Ranala, Hikkaduwa, Kalutara and Ja-Ela - targeting police stations, Government and private institutions and the public. Over 30 staff volunteers from the Group engaged in the distribution of 10,000 information cards and display of 200 posters.
- **Panel discussion:** JKF's Head of Operations participated in a panel discussion on the topic 'United Towards Creating Violence-Free Spaces for Women and Girls' organised by UNFPA in commemoration of International Day for the Elimination of Violence against Women.

- **Training of Trainers Programme:** Conducted a five-day training programme on gender awareness under 'Project WAVE' creating a training pool of 14 employees representing multiple sectors of the Group.

The following initiatives focused on Child Abuse Prevention under 'Project WAVE', were implemented during the year under review:

- **Training of Trainers (ToT) on Child Protection:** Two separate 2-day ToT programmes were conducted at 'Hikka Tranz by Cinnamon' and 'Cinnamon Lodge Habarana' creating a training pool of 54 staff largely representing 'Cinnamon Hotels & Resorts'.
- **Staff sensitisation:** Awareness programmes were conducted for the families of staff members of 'Hikka Tranz by Cinnamon' with the participation of 114 children and 120 parents.
- **Poster Campaign:** A poster campaign was conducted in commemoration of the Children's Day in Sri Lanka among 17 schools situated within proximity of John Keells 'Praja Shakthi' locations.
- **Awareness for school children:** Awareness programmes were conducted for students in the primary sections of 3 schools and a Dhamma school in Hikkaduwa with the participation of 479 students.

John Keells HIV & AIDS Awareness Campaign

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

During the year under review:

- 325 persons were sensitised on HIV & AIDS, resulting in a cumulative total of 130,962 persons including army personnel.
- World AIDS Day was commemorated by JKF and Group businesses through the pinning of red ribbons on staff and by conducting awareness sessions at business premises.
- JKF continued to host an e-learning platform on its website as an interactive learning tool that covers critical information on HIV & AIDS and is accessible free of charge by any member of the public over the age of 18 years. During the reporting year, 8 persons completed the e-module while a total of 230 persons visited the platform, spending an average time of 10.54 minutes.
- The e-learning platform was revamped to enhance usability and relaunched during the reporting year recording 167 visitors and 8 completions, with all 8 completions for the year recorded after the revamp.
- Positive Women's Network (an NGO supporting HIV positive individuals) was supported through the engagement of trainers to conduct awareness sessions, and through the commissioning of over 11,000 red ribbons in commemoration of World AIDS Day.

John Keells Volunteer Trainers after the gender training of trainers programme

CSR FOCUS AREA – ARTS & CULTURE

www.johnkeellsfoundation.com

Kala Pola

'Kala Pola', Sri Lanka's annual open-air art fair attracts an array of artists, sculptors and visitors from across and beyond the island. Conceptualised by The George Keyt Foundation and funded and organised by the John Keells Group, the year under review marks the 26th year of unbroken patronage by the John Keells Group since project inception in 1993.

The art fair, took place in February, showcasing a record 361 artists and sculptors from various parts of Sri Lanka, generating Rs.18.7 million in estimated sales revenue on the day (excluding commissioned work) and attracting an estimated 30,312 visitors, both local and foreign. Ceylon Cold Stores PLC coordinated event logistics and also organised the Children's Art Corner with the support of teachers from Cora Abraham Art School which attracted 237 child artists.

Whilst the art catalogue accompanying the event publicises artists exhibiting at 'Kala Pola', online platforms such as www.kalapola.lk and www.srilankanartgallery.com hosted by JKF enable Sri Lankan artists to access potential markets throughout the year.

Art buyer at 'Kala Pola 2020'

John Keells Digital Art Gallery

JKF continued to maintain and enhance its digital art gallery which serves as an online platform for local artists to showcase their work all year-round while sustaining and enhancing the interest of art patrons. As at 31 March 2020, 1,096 artists were registered with the Sri Lankan Art Gallery (SLAG) while 62 new artists were registered on SLAG during 'Kala Pola 2020'. During the year in review, ~20,697 visitors visited the site.

The following initiatives were also undertaken in the reporting year:

- The Gratiaen Trust - JKF entered into a three year primary sponsorship of the Gratiaen Trust (GT) towards recognising and promoting Sri Lankan writing in English, and translations of vernacular literature into English, of Sri Lankan authors resident in Sri Lanka. Initiatives included a Master Class for 15 playwrights and actors by award-winning Irish actor and theatre/opera director, Fiona Shaw and a creative writing workshop conducted at the University of Jaffna featuring internationally-acclaimed Sri Lankan author Shyam Selvadurai for a selected group of 19, and a performance of a short play by Sri Lankan playwright and Gratiaen prize winner, Arun Welandawe-Prematilleke for over 100 participants comprising students and the general public.
- Museum of Modern and Contemporary Art (MMCA) - With JKF's primary sponsorship, the MMCA was launched in December 2019 with the aim of establishing a museum for visual culture including the conservation, preservation and exhibition of Sri Lankan art and crafts. MMCA's debut exhibition - 'One Hundred Thousand Small Tales' curated by Sharmini Pereira which was premiered at the internationally acclaimed Dhaka Art Summit comprised over 115 art works by 45 artists across different generations and attracted encouraging public interest recording 3,331 visitors including 895 school children and university students as at 31 March 2020.
- Sunera Foundation - JKF continued to sponsor the Sunera Foundation's workshop in Katugastota benefiting 34 differently abled children and youth. The reporting period marks the conclusion of sponsoring the workshop in Katugastota as JKF will be moving on to support the workshop in Habaraduwa, Galle.

CSR FOCUS AREA - DISASTER RELIEF

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

www.johnkeellsfoundation.com

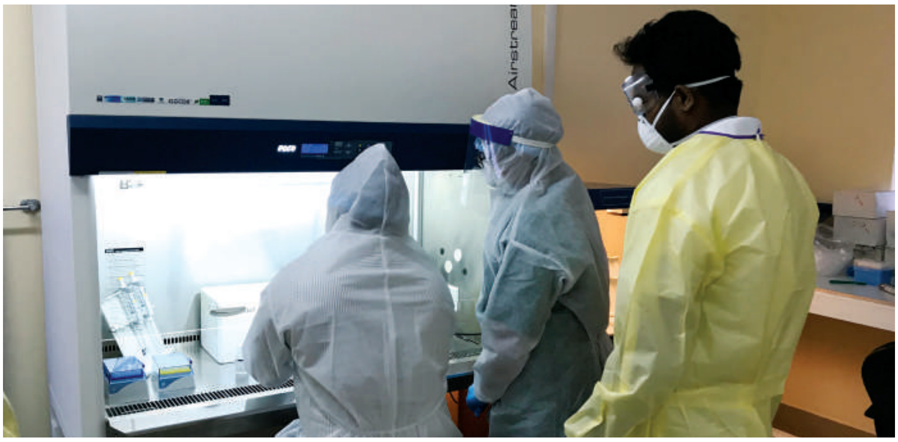
COVID-19 INITIATIVES

Following the outbreak of COVID-19, the following initiatives were undertaken or supported by Group companies:

- In order to increase Sri Lanka's testing capacity on an immediate basis, JKF in collaboration with SAGT and Deutsche Bank, contributed to the establishment of a Molecular Diagnostic Laboratory at National Institute of Infectious Diseases (IDH) pending the establishment of a permanent facility. This temporary facility became operational on 29 March 2020.
- JKF in collaboration with CCS and JMSL distributed 10,000 packs of essential food provisions to disadvantaged families in Slave Island, Thimbirigasyaya, Mattakkuliya and Kolonnawa as identified by the Government Agent/ District Secretary Colombo.
- JKF in collaboration with JMSL also provided essential food provisions for staff of IDH for a period of two weeks.

Medium to long-term support initiatives relating to COVID-19 are being further evaluated and planned with the respective stakeholders.

Detailed discussions of business-specific COVID-19 related initiatives could be found in the Industry Group Review section of the Report - page 61



Establishment of a Molecular Diagnostic Laboratory at National Institute of Infectious Diseases

As part of flood relief following the Northeast monsoon and towards supporting the relocation of affected communities in the Kilinochchi district, JKF in collaboration with World Vision Lanka and Union Assurance, completed the cleaning and chlorination of 35 wells in 6 Grama Niladhari divisions.

For further details on these projects, refer the John Keells Foundation website.

INTELLECTUAL CAPITAL

The Group understands that Intellectual Capital is a source of competitive advantage and is pivotal to sustainable value creation. As such, the Group strives to continually innovate, rely on new technology and leverage on the skills and knowledge of its employees in a bid to grow its Intellectual Capital base.

Research and Development

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

In June 2019, JKR extended the patent coverage for its novel energy storage material developed in 2016/17 in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML), India, to include Sri Lanka, United States, China, Europe, Japan and South Korea. The extension of coverage, along with the existing coverage in India and Taiwan covers significant markets of the supercapacitor industry, thereby supporting JKR's commercialisation strategy of marketing the technology to potential licensees.

During the year under review, JKR:

- Completed the development of a natural rubber-graphite composite with enhanced thermal conductivity and a shorter curing time with potential for use in products such as solid rubber tires.
- Designed and fabricated a multispectral camera, which complements its existing drone and artificial intelligence-based multispectral image analysis project on inspecting infrastructure.
- Emerged winners of an innovation challenge posted by 'Kwizda Agro GmbH', Austria on the crowd innovation platform Hypios, which entailed a solution to improve gel formulation against liquefying, for which JKR was able to submit a theoretical gelling substitute. The Group envisages that such opportunities pave way for potential collaborations with entities such as 'Kwizda Agro GmbH'.
- Selected to participate in the 'Enabling IP Environment Project' conducted by the World Intellectual Property Office (WIPO) for the second consecutive year. JKR remains the only private sector-based research group in the world to be selected to participate in this project. Under the programme, JKR continues to receive mentorship from WIPO nominated experts on its commercialisation efforts relating to two of its projects.
- Continued to organise interactive sessions as part of its forum titled 'Innowave @ Techcity', with the participation of Lee Bazalgette, Founder/Director of the Colombo Design Studio and Giordano Dichter from H&D Partners in Belgium.

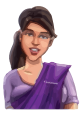
Brand Stewardship

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
- Supermarket business
- Office Automation business



LEISURE
- City Hotels
- Resorts
- Destination Management
- Hotel Management

PROPERTY
- Property Development
- Real Estate

FINANCIAL SERVICES
- Insurance
- Banking
- Stock Broking

OTHER, INCL. PLANTATION SERVICES AND INFORMATION TECHNOLOGY
- Plantation Services
- Information Technology
- Other

INTELLECTUAL CAPITAL

"The 'Keells' brand was adjudged the best supermarket brand for the second consecutive year and placed amongst the top 10 most valuable brands in Sri Lanka, as compiled by Brand Finance 2020."

The Group's brand strategy aims to remain authentic and relevant, in a backdrop of evolving business trends and customer preferences, whilst resonating core values and beliefs of the Group. To this end, the Group has engaged in the following initiatives during the year under review;

- The Leisure industry group placed significant emphasis on systematically executing the 'Cinnamon' brand strategy, by spearheading several lifestyle centric initiatives. In this regard, 'Cinnamon' hosted the 'Future of Tourism Summit 2019', featuring a distinguished panel, including CNN's leading business correspondent, Richard Quest and a breakfast forum titled 'Emerging Markets and Sri Lanka's Growth Trajectory' with Dr. Mark Mobius, a pioneer in investing in emerging markets.
- Market research and independent reports suggest that the new 'Keells' modern trade brand which was developed with the aim of epitomising JMSL's 'fresh' promise, service excellence and quality has been well received by the market. To this end, the brand equity based on a store equity index maintained by AC Nielsen has improved during the year. The 'Keells' brand was adjudged the best supermarket brand for the second consecutive year and placed amongst the top 10 most valuable brands in Sri Lanka, as compiled by Brand Finance 2020.
- Union Assurance (UA) underwent a brand change during the year under review, with the launch of a new identity, logo and pay-off line, centred around the theme, 'Your Life, Our Strength'. This new identity reflects UA's commitment to change and evolve to suit emerging requirements of consumers whilst ensuring to protect its reputation of being a trusted insurer. UA's new purpose is built on 3 main pillars: protecting relationships; protecting growing ambitions and protecting progressing lifestyles. The reimagined identity endeavours to curate a journey where staff will adopt fresh perspectives through innovative thinking and assess and nurture customer relationships.

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.

JKX creates a unique platform for disruptive and innovative solutions and provides initial investments required for start-up businesses and technologies. Key highlights for JKX are as follows:

- JKX 3.0: of 15 applicants short-listed in the preceding year, 5 teams progressed to the accelerator programme which entailed several benefits, including Rs.2.5 million in initial funding, access to mentors from JKH, office space, access to support services, coaching and an opportunity to pitch for up to Rs.50 million in April 2020.
- A winner of the 'John Keells X - Open Innovation Challenge 2017', 'iLoan' was adjudged first at Seedstars Colombo and subsequently selected to represent Sri Lanka at the Seedstars Global Summit in Switzerland while 'Helios' a fellow winner of the Open Innovation Challenge of 2017 was adjudged second at Seedstars Colombo.
- 'Helios', a peer-to-peer lending platform which leverages on blockchain technology, secured their second-round funding through the JKX accelerator programme during the year under review.

Business-specific details pertaining to value creation under Intellectual Capital is found in the Industry Group Review section of this Report - page 61

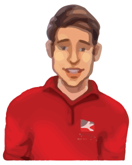
ADVANCED ANALYTICS TRANSFORMATION JOURNEY

OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, was formally initiated in July last year as a division under the Holding Company, towards driving an advanced analytics transformation journey that would result in a greater degree of data-driven decision-making across the Group. The division in collaboration with a global consulting firm commenced a three-year engagement that would execute the deployment of up to 40 well-defined advanced analytics use cases that seek to solve key business challenges across value chains in several of key industry verticals. During the period under review, OCTAVE commenced work on a series of use cases in the Retail and Financial Services industry groups where initial pilots indicated strong signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.

Data Governance practices were institutionalised across the Supermarkets and Insurance businesses with defined roles being staffed by trained resources and milestones set for governing data domains of the said businesses. The OCTAVE Advanced Analytics Academy was also set up offering in-class room training, online course and curated on the job learning for each cohort of roles linked to the advanced analytics transformation programme, to ensure a sustainable advanced analytics capability is built up within the Group; with 43 staff representing OCTAVE and the Retail and Insurance businesses successfully completing learner level certification. Staffing of OCTAVE with data scientists, data engineers and delivery leads continue, while the required platform architecture for model development was designed and successfully implemented during the period under review.

The Group is of the view that the advanced analytics transformation program, leveraging on the large volume and rich variety of data across the Group would be a significant source of competitive advantage going forward.

INDUSTRY GROUP REVIEW



TRANSPORTATION

Industry Group Structure

Ports and Shipping

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

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 in Sri Lanka and its subsidiary in the Maldives (MAL).
- Travel agency and travel related services through Mackinnons Travel.
- Domestic scheduled and charter air taxi operations under the brand, 'Cinnamon Air'.
- Freight forwarding and customs brokerage through Mack International Freight (MIF).

Contribution to JKH Group

21%	Revenue
27%	EBIT
6%	Capital Employed
10%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	24,687	24,919	(1)	21,305
Total equity	17,832	18,246	(2)	16,110
Total debt	4,404	4,172	6	3,267
Capital employed[1]	22,237	22,418	(1)	19,377
Employees[2]	732	698	5	486

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover[3]	33,439	33,729	(1)	25,619
EBIT	4,220	4,370	(3)	3,326
PBT	4,087	4,245	(4)	3,269
PAT	3,962	4,182	(5)	3,084
EBIT per employee[4]	6	6	(8)	7
Carbon footprint	9,261	13,808	(33)	12,714

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

1. *For equity accounted investees, capital employed is representative of the Group's equity investment in these companies.*
2. *Excludes SAGT, DHL, Maersk Lanka and MIF (formerly known as NDO).*
3. *Revenue is inclusive of the Group's share of equity accounted investees.*
4. *As per the sustainability reporting boundary.*

INDUSTRY GROUP REVIEW

TRANSPORTATION

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Global trade recorded a slowdown in growth in the calendar year 2019 on the back of continued trade tensions between US and China, Brexit and the resultant uncertainty in future commerce across the English Channel and the slowdown in the German automotive and manufacturing sectors.
- The Port of Colombo (PoC) handled 7.2 million twenty-foot equivalent units (TEUs) in 2019/20, a 2 per cent growth against the previous year [2018/19: 11 per cent]. The slowdown in growth was primarily on account of a contraction in domestic volumes and in line with the aforementioned slowdown in global trade.
    - Domestic TEU volumes declined by 2 per cent during 2019/20 [2018/19: negative 6 per cent] driven by a slowdown in domestic imports, given subdued economic conditions locally.
    - Transshipment volumes recorded marginal growth of 2 per cent in 2019/20 [2018/19: 15 per cent]. India continued to be the primary transshipment market for Sri Lanka, accounting for ~70 per cent of volumes.
    - Domestic : transshipment mix at the PoC stood at 18:82 for 2019/20, flat against 2018/19.
    - Overall Port Capacity Utilisation for the PoC was ~85 – 90 per cent for 2019/20.
- The 'Global Sulphur Cap', a regulation imposing stringent restrictions on sulphur content in fuel oil introduced by the International Maritime Organisation (IMO), came into effect from 1 January 2020. The regulation mandates that the sulphur content in fuel oil should be no more than 0.50 per cent (as against 3.50 per cent previously).
- Bunker fuel prices exhibited volatility, primarily during the second half of the financial year, driven by increasing base prices following the imposition of the 'Global Sulphur Cap', escalation in the oil price war between Saudi Arabia and Russia, and the global slowdown on account of COVID-19.
- The Government published the National Policy Framework (NPF) titled 'Vistas of Prosperity and Splendour' in December 2019 which is aimed at spurring socioeconomic growth. This also focuses on developing transportation and related infrastructure.

Refer Outlook for details - **page 123**

- Key fiscal stimulus measures implemented by the new Government of Sri Lanka:
    - Reduction in the Value Added Tax (VAT) from 15 per cent to 8 per cent, effective 1 December 2019.
    - Removal of Nation Building Tax, effective 1 December 2019.

Ports and Shipping

The Group's Ports business, SAGT, handled 2.1 million TEUs in 2019/20, flat against last year. The effects of the subdued macroeconomic environment on volume growth were further exacerbated by the COVID-19 pandemic and its trickle-down effects.

SAGT Volume Growth (%)	2019/20	2018/19
Domestic	2	3
Transshipment	(1)	11
Total	(0)	11

It is pertinent to note that the business continued to track better than its peers, when comparing its fair share of capacity and equipment contribution. The business continued to invest in productivity enhancements and efficiency management initiatives during the year under review. To this end, 6 rubber tyred gantry cranes (RTGs) and 12 inter-terminal trucks were commissioned to boost gate and yard productivity, while initiatives such as the implementation of a comprehensive refurbishment programme and successful trialling of the installation of hybrid engines in RTGs were rolled out to improve RTG efficiency and boost fuel efficiency.

Maersk continued to integrate its business model in line with its 2016 strategic repositioning, placing emphasis on improving financial performance of ocean transport and creating a better customer experience through increased reliability, improved customer experience and introduction of online services.

Bunkering

Lanka Marine Services (LMS), the Bunkering business of the Group, recorded a 7 per cent decline in volumes during the year, primarily attributed to a decline in oil prices and demand on account of the COVID-19 pandemic and tensions surrounding the Russia–Saudi Arabia oil price war in the fourth quarter of the year under review. Increased operational and delivery efficiencies, which were further augmented by a well-managed transition to low sulphur fuel oil (LSFO) under the IMO regulations, offset the impact from a decline in volumes, to an extent. Against this backdrop, the business continued to maintain its market leadership position during the year.

The business was able to gain a first-mover advantage by introducing LSFO to the market, better inventory management and by leveraging on its improved storage capacity. 'MT Amelia' was used as a floating storage in December 2019 to circumvent short-term storage capacity constraints due to tank cleaning that took place at the JCT Oil bank. The floating storage also assisted the company to overcome the initially envisaged

JKLL reconfigured a Distribution Centre into an online fulfilment centre within a span of 5 days to facilitate the rapidly growing demand for essential items

co-mingling risk of products from multiple sources. As a result, LMS was the only supplier to maintain consistent stocks of LSFO and low sulphur marine gas oil (LSMGO) in Colombo from December 2019 to February 2020.

The transition to LSFO led to a significant increase in base prices as LSFO is ~30 per cent higher than high sulphur fuel oil (HSFO). In anticipation of this increase and the resultant impact on credit risk, the business proactively implemented significant measures aimed at consolidating and improving the efficiency of its credit management processes and mitigating credit risk.

LMS continued to focus on increasing delivery capacity, storage capacity and efficient procurement practices in 2019/20. The business undertook several new initiatives to improve its modes of engagement with customers in order to enhance efficiency and ensure faster engagement. Significant headway was made in internalising the management of its vessels by acquiring a Document of Compliance (DOC) from the international ship classification body 'Nippon Kaiji Kyokai'.

Logistics

The Logistics business, John Keells Logistics (JKLL), recorded a 22 per cent growth in operational throughput on account of organic growth in existing accounts as well as through the acquisition of new accounts. The business increased its overall footprint of managed warehouse space marginally by 1 per cent during the year under review to 318,000 sq.ft., driven by an expansion of its customer base, while overall warehouse utilisation increased to 96 per cent [2018/19: 92 per cent]. The transport fleet operations of the business expanded by 31 per cent in 2019/20.

"LMS was able to gain a first-mover advantage by introducing LSFO to the market, better inventory management and by leveraging on its improved storage capacity."

The management of the cold storage warehouse which commenced operations in 2018/19 to meet the needs of the Group's Frozen Confectionery business, recorded encouraging growth. The operations were also complemented by temperature-controlled transport solutions. The business continued to leverage on such cross-sectoral opportunities within the Group to provide warehousing and temperature-controlled transport solutions, especially within the Retail and Consumer Foods industry groups. Investments were also made towards fleet expansion and the development of a new logistics system during the year under review. The business also upgraded its Transport Management System during the year with added benefits such as increased route planning efficiency and vehicle optimisation.

Despite the promising performance of the business in the first three quarters of the year under review, operational performance was hampered, to an extent, towards the fourth quarter due to heightened security measures and restrictions on movement within the country given the outbreak of COVID-19.

The Group originally envisaged to invest in two warehousing centres; a centralised distribution centre in Panagoda for the Supermarket business and a multi-use logistics centre in Muthurajawela for the Logistics business (LogiPark International (Private) Limited). However, upon re-evaluating the Group's exposure to warehousing, the Group de-risked the investments by repurposing the Muthurajawela land to function as the new distribution centre for the Supermarket businesses. Given the aforementioned change, for reporting purposes, the businesses were realigned, where LogiPark International (Private) Limited, previously reported under the Transportation industry group, was moved under the Retail industry group. The management of the warehouse will be handled by JKLL as per the original plan.

Refer Retail Industry Group Review for further details - **page 77**

DHL Keells

DHL Keells (Private) Limited continued to maintain its market leadership position in 2019/20, despite challenging market conditions on account of the slowdown in trading activity domestically and globally. The primary challenge faced by the business emanated from a scale-down in volume from key customers, particularly in the apparel sector, which contributed to a decline in overall shipping volume.

The business continued to implement measures aimed at reducing its costs and strengthening its operational efficiencies to mitigate the impact to its operations. The reintroduction of spot rates for large shipments also aided the business in acquiring additional revenue. The business continued to focus on e-commerce driven solutions for B2C businesses, given the rise in e-commerce.

AWARDS

DHL received the following awards during the year:

- Stevie Award: Customer Service Department of the Year.
- GPTW* Best medium-sized enterprise.
- GPTW Bronze award for Best Multinational.
- GPTW Top 25 Customer List.

** Great Place to Work*

INDUSTRY GROUP REVIEW

TRANSPORTATION

Airlines and Other

Businesses within the Airline vertical were significantly impacted by the Easter Sunday terror attacks in April 2019 and the resultant impacts on the tourism sector. Although the recovery post the attacks was above plan, operational performance and business recovery were adversely impacted in the fourth quarter of 2019/20 by the COVID-19 pandemic.

'Cinnamon Air', the domestic aviation business, recorded a double-digit decline in passenger revenue on account of a decline in tourist arrivals to Sri Lanka. However, it is heartening to note that the business continued to maintain its market leadership position in the domestic aviation industry. The business remains to be the only airline that scheduled flights from Bandaranaike International Airport (BIA) to key tourist destinations, operating ~90 flights weekly during peak seasons.

The Airline Representation business, MAL, recorded double-digit growth in passenger revenue and cargo tonnage, despite the challenging operating environment during the year under review. Key challenges faced by the business:

- Cease in operations of Jet Airways, for which MAL served as a general sales agent (GSA).
- Reduction in flights from other airlines such as KLM and AirAsia Thailand following the Easter Sunday attacks.
- Restrictions on international travel and cargo transportation due to the COVID-19 outbreak in January 2020, leading to further reductions in flight frequencies and a complete cease in flight operations by mid-March 2020.

The business continued to focus on improving its operational efficiency and customer service during the year under review. To this end, MAL introduced a fully-fledged holiday unit for AirAsia, aimed at increasing focus on and developing the MICE and leisure segments.

Mackinnons Travels Limited (MTL) was negatively impacted by the decline in outbound tourism during the year under review. The business continued to focus on developing its customer-centric business model with the implementation of a revamped service blueprint based on careful stakeholder analysis. It is encouraging to note that whilst the corporate segment of the business experienced lacklustre growth during the year under review, the leisure segment, albeit off a lower base, recorded double-digit growth.

AWARDS

Cinnamon Air

- Silver award for Digital Marketing - Adrian Awards 2019

Mackinnons Travels

- Singapore Airlines Merit Award
- Etihad Airways Top Agent Premium
- Cathay Pacific Airline Merit Award

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

Revenue* (Rs.million)	2019/20	2018/19	%
Transportation	26,123	26,591	(2)
Ports and Shipping	7,316	7,138	2
Total	33,439	33,729	(1)

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

- The marginal revenue decline in the Transportation sector was primarily on account of the Bunkering business due to lower volumes and average base oil prices in comparison to 2018/19 and the lower contribution from the Airline businesses.
- The Logistics business recorded a 3 per cent revenue growth driven by a 22 per cent increase in operational throughput managed in its warehousing facilities during the year.
- It is noted that over 94 per cent of the revenue composition within the industry group, excluding equity accounted investees, stems from the Bunkering business.
- The muted revenue growth in the Ports and Shipping sector is primarily attributable to SAGT, where volumes were flat against 2018/19.

EBITDA* (Rs.million)	2019/20	2018/19**	%
Transportation	1,545	1,337	16
Ports and Shipping	2,872	3,226	(11)
Total	4,417	4,563	(3)

** Share of results of equity accounted investees are shown net of all taxes.*
*** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- EBITDA in the Ports and Shipping sector was impacted by SAGT which became liable for corporate income tax during the year under review. Profitability was also impacted by Maersk due to revision of tariffs by the Ceylon Association of Shipping Agents (CASA) on imports, exports and transshipments which affected the agency income.

- Despite the aforementioned revenue decrease at LMS, profitability of the business recorded an improvement on the back of higher margins on average base oil prices, particularly as a result of the first-mover advantage in introducing LSFO to the market, better inventory management and by leveraging on its improved storage capacity, as discussed in the Operational Review.

PBT* (Rs.million)	2019/20	2018/19**	%
Transportation	1,215	1,019	19
Ports and Shipping	2,872	3,226	(11)
Total	4,087	4,245	(4)

** Share of results of equity accounted investees are shown net of all taxes.*
*** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- PBT growth in the Transportation sector was driven by LMS, as mentioned above.

Debt (Rs.million)	2019/20	2018/19	%
Transportation	4,404	4,172	6
Ports and Shipping	-	-	-
Total	4,404	4,172	6

- The marginal increase in debt in the industry group is mainly attributable to an increase in short-term borrowings at LMS to meet working capital requirements.

Natural Capital

The industry group places significant importance on conducting its operations in a sustainable and an environmentally responsible manner, in line with global best practice.

Against this backdrop, the material topics identified under Natural Capital are:

CARBON FOOTPRINT*

Ports and Shipping : 1,625 MT
Transportation : 7,636 MT

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

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial, regulatory and brand reputation implications	
Waste management		

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Internal fuel efficiency targets for vehicle and aircraft fleets to reduce fuel consumption and emissions. ▪ Alignment with international benchmarks.	▪ Daily monitoring of fuel consumption and monitoring of emissions against established international benchmarks. ▪ Ongoing analysis of sales routes for route optimisation via the upgraded Transport Management System. ▪ Regular planned maintenance for efficient engine performance.
Waste Management	
▪ Strict compliance with all regulatory requirements. ▪ Adherence to regulations stipulated by the Marine Environmental Pollution Authority (MEPA) and other best practice.	▪ 35,230 kg of plastic stretch film and cardboard waste at JKLL was disposed through certified third party waste recyclers. ▪ Waste generated though bunkering operations was disposed through a MEPA certified third party contractor to ensure responsible disposal.

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	9,261	13,808	(33)
Waste disposed (kg)	200,393	135,850	48

Note: No significant spillages were reported during the year.

CARBON FOOTPRINT

9,261 MT

2018/19: 13,808 MT

33%

INDUSTRY GROUP REVIEW

TRANSPORTATION

Carbon footprint scope 1 and 2 per operational intensity factor

	2019/20	2018/19
LMS CO_2 (kg per MT of bunkers sold)	6.9	6.6
JKLL CO_2 (kg per sq.ft. of warehouse managed)	2.4	2.1
Mack Air CO_2 (kg per sq.ft. of office space)	11.5	12.5
MTL CO_2 (kg per sq.ft. of office space)	3.7	2.8
Cinnamon Air CO_2 (kg per flight hour)	3,827	2,221

Waste generated per operational intensity factor

	2019/20	2018/19
LMS (kg per MT of bunkers sold)	0.4	0.3
JKLL (kg per sq.ft. of warehouse managed)	0.3	0.2

"Businesses have in place internal fuel efficiency targets for vehicle and aircraft fleets to reduce fuel consumption and emissions."

Human Capital

The Transportation industry group places significant emphasis on maintaining a healthy and safe work environment for employees across all its warehouses, barges and other operational facilities, on par with international standards.

The businesses focus on investing in their people through training and development to enhance skills and knowledge, maintain service quality, achieve consistent delivery and efficiency, and keep up with evolving consumer trends. The industry group will continue to build a resource base of qualified professionals in the logistics and transportation field through its strategic partnerships with a leading local university, University of Moratuwa.

NUMBER OF EMPLOYEES*

Ports and Shipping : 23
Transportation : 709

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

Material topics identified under Human Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Talent management	The need to retain and continuously upgrade skills of existing staff, while developing a resource base of professionals for the country's transportation industry	
Health and safety	Labour and productivity concerns	

Targets	Initiatives During the Year
Talent Management	
▪ Continuous training and skills development. ▪ Establishment of a resource base of qualified transportation and logistics professionals.	▪ The industry group continued its 13-year strategic partnership with the University of Moratuwa, collaborating with the Department of Transport and Logistics Management of the Engineering Faculty. This initiative is aimed at developing industry-specific skills and competencies with the objective of enabling a multitude of attractive career choices for undergraduates, whilst expanding a much-needed resource base of professionals for the country's growing transportation industry. ▪ During the year: ◆ Scholarships were awarded to 28 undergraduates. ◆ 58 first year students underwent a 5-day Immersion Camp aimed at improving their English communication skills.

Targets	Initiatives During the Year
Occupational Health and Safety	
▪ Zero major accidents within logistic centres. ▪ Address 100 per cent of all reported near misses. ▪ Zero road accidents, traffic violations and customer complaints.	▪ LMS and JKLL are in the process of upgrading the existing OHSAS 18001-2007 certification to ISO 45001 for bunkering and warehousing operations, ensuring globally recognised health and safety standards are maintained. ▪ MARPOL compliant oil spill drills to minimise impact in the event of an incident. ▪ Fire drills on board barges, warehouses and at the head office, which houses multiple business entities. ▪ First aid trainings for staff by Red Cross certified trainers.

COVID-19 RESPONSE

All companies implemented a range of safety measures in warehouses, aircraft and offices during the COVID-19 outbreak, including:

- Provision of masks and installation of hand sanitiser dispensers.
- Regular disinfection.
- Awareness creation.
- Screening processes prior to boarding aircraft.
- Business Process Continuity measures undertaken in line with the new working guidelines introduced by the Group.

Employees participating in a health and safety training at a JKLL warehouse

Indicators

	2019/20	2018/19	%
Injuries (number)	0	6	(100)
Training (hours)	16,115	5,655	185
Training per employee (hours)	22	8	175

"The industry group focuses on investing in its people through training and development to enhance skills and knowledge and maintain service quality."

Social and Relationship Capital

The industry group, through its diverse product and service offerings ranging from warehousing and aviation to ports and shipping, connects multiple businesses across the country delivering a seamless value-added service to customers and other stakeholders.

The significant suppliers in the industry group are:

SIGNIFICANT SUPPLIERS

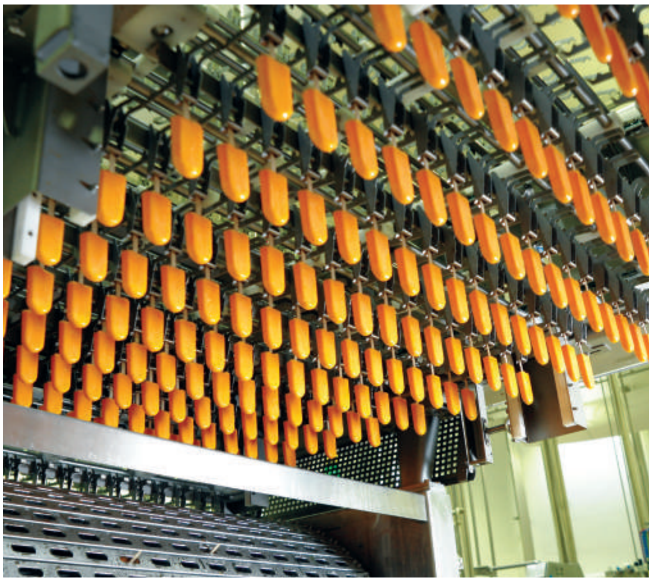
Outsourced vehicle fleets	Warehouse operations	Maintenance, support services and outsourced employees	Capital equipment

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

Key initiatives during the year:

- The long-term strategic CSR collaboration with the University of Moratuwa aimed at establishing a resource base of qualified transportation and logistics professionals, as discussed in detail under Human Capital, also assisted the industry group in strengthening its relationships with key stakeholders.
- English and IT scholarships were granted to 28 students from Muthurajawela under 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

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

Convenience Foods

- Processed meat products under the 'Keells-Krest' and 'Elephant House' brands.
- A range of crumbed and formed meat products under the 'Krest' brand.
- Instant rice branded 'Ezy rice'; an affordable, easy-to-prepare and ready-to-eat single serve 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 JKH Group

11%	Revenue
17%	EBIT
3%	Capital Employed
19%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	15,489	14,670	6	14,010
Total equity	8,073	7,498	8	6,938
Total debt	3,353	2,982	12	2,702
Capital employed	11,426	10,479	9	9,641
Employees	1,480	1,454	2	1,322

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover	17,004	16,208	5	15,621
EBIT	2,560	2,165	18	2,598
PBT	2,330	1,941	20	2,596
PAT	1,644	1,356	21	1,840
EBIT per employee	2	1	16	2
Carbon footprint	18,357	16,484	11	15,504

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Sri Lanka recorded 2.3 per cent growth in GDP for CY2019, a notable slowdown against the previous year [CY2018: 3.3 per cent], primarily driven by decreased economic activity following the Easter Sunday terror attacks.
- Although headline inflation remained at single digits during the calendar year 2019, inflation has exhibited an increasing trend over the months on the back of increases in food prices as a result of adverse weather conditions, particularly towards the end of the year.
- Consumer discretionary spending remained subdued due to the lacklustre performance of the economy and dampened consumer sentiment. The LMD-Nielsen Index reached its lowest since July 2008 during the first half of CY2019, though a recovery was witnessed towards the latter part of the year.
- Although discretionary spending witnessed a rebound in the fourth quarter of 2019/20, driven by the expansionary policy stance adopted by the Central Bank of Sri Lanka, political clarity post the conclusion of the Presidential Election and the consumer-centric tax cuts aimed at increasing disposable income introduced by the Government, recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed from March 2020 onwards.
- Key fiscal stimulus measures implemented by the new Government of Sri Lanka (GoSL):
  - Reduction in the Value Added Tax (VAT) from 15 per cent to 8 per cent, effective 1 December 2019.
  - Removal of Nation Building Tax, effective 1 December 2019.
  - Reduction in the income tax rate for Manufacturing entities from 28 per cent to 18 per cent, effective 1 April 2020.

Beverages

The Beverage business witnessed encouraging growth during the year under review, reporting a volume growth of 7 per cent in 2019/20. The threshold-based tax for sugar content for both carbonated and fruit-based beverages, introduced with effect from 5 March 2019, and the resultant downward revision in prices of selected SKUs aided volume growth during the year. This was offset to an extent due to disruptions to distribution caused by adverse weather conditions, particularly in the second and third quarters of the year under review.

~30 – 45 per cent of the current CSD portfolio's calorific sugar content is reformulated and replaced with Stevia; a natural sweetener with zero calories.

The business continued its strategy of diversifying its portfolio to create a more sustainable balance between its CSD and non-CSD variants. The non-CSD variants recorded a 69 per cent growth in volumes, albeit off a lower base. In this regard,

- 1 Litre 'Elephant House Fresh Milk' tetra packs was launched in July 2019.
- Ready to Drink (RTD) milk witnessed very promising volume growth, despite initial supply constraints which were subsequently resolved.
- Water and the fruit-based beverage 'Fit-O', recorded double-digit volume growth, albeit off a lower base.
- The business continued to maintain a high content of fresh milk in the RTD milk range, which continues to be amongst the highest in the market.

Given the significant potential for growth in these market segments driven by evolving consumer trends and lifestyles, the business will continue to place emphasis on expanding its non-CSD variants with the aim of better balancing its beverage portfolio.

87:13
Current CSD: Non-CSD Volume Mix [2018/19: 91:09]

Export market volumes recorded growth of 8 per cent in 2019/20, underpinned by demand from traditional markets such as the UK and EU.

The business continued to invest heavily in research and development to innovate new products and improve the existing CSD portfolio by incorporating lower calorific sugar content.

CCS continued to consolidate its supply chain and processes to be in line with international best practice and ensure optimal operational efficiency. To this end, the business worked closely with its distributors, providing incentives and working capital support, where possible, to ensure a sustainable business model.

AWARDS

- 'Cream Soda' was awarded SLIM Nielsen People's Choice Awards for 'Beverage Brand of the Year' and 'Youth Beverage Brand of the Year' for the 14th consecutive year.
- Silver award at the Annual National Chamber of Exporters (NCE) Export Awards - Medium Category.

"The business continued its strategy of diversifying its portfolio to create a more sustainable balance between its CSD and non-CSD variants. The non-CSD variants recorded a 69 per cent growth in volumes, albeit off a lower base."

Frozen Confectionery

The Frozen Confectionery (FC) business recorded a marginal volume growth of 3 per cent during the year under review [2018/19: 10 per cent], impacted by subdued market conditions and adverse weather conditions in the second and third quarters of 2019/20. Volumes were further impacted due to operational disruptions caused by emergency measures taken across the country to contain the spread of COVID-19 in March 2020. Volume growth on the Impulse segment was encouraging on the back of the new ice cream factory, recording a growth of 8 per cent growth during the year amidst a challenging macroeconomic landscape. Impulse segment accounted for 30 per cent of total frozen confectionery volumes. Volumes in the Bulk segment remained flat against the previous year.

The business continued to witness a gradual shift of volumes between the Bulk and Impulse segments.

52:48
Bulk: Impulse revenue mix
[2018/19: 54:46]

The state-of-the-art ice cream facility in Seethawaka, which is currently dedicated to the production of the Impulse range, continues to be a key thrust for the business enabling the production of a variety of Impulse products including cones, cups and other stick varieties, which were previously imported by the company, seamlessly and cost efficiently. The ability for the facility to manufacture entry price level stick varieties has accelerated the business' entry into new markets and channels, thereby enabling market growth.

AWARDS

- 5 prestigious awards at the NASCO 2019 awards;
  - Gold and Silver award for CSR (Gold and Silver).
  - Silver award under ASM.
  - Bronze award for supporting staff.
  - Overall Gold medal in FMCG sector - front liner category.

The FC business continued the expansion of its portfolio with the launch of new products, primarily in the Impulse segment. The initial market response for the products has been promising.

NEW FC PRODUCTS 2019/20

Kids Range*	Cones	Popsicles
Wonder Woman Ice Cake	Cookie Cream	Orange Crush Ice
Superman Bubble Gummy	Black Forest	
	Faluda	

*Range introduced during the year

CCS entered into a historic partnership with 'Warner Bros. Entertainment Inc.', an American diversified multinational mass media and entertainment conglomerate, to market products branded under characters in the DC Comics universe, to appeal to the younger market segment.

The partnership represents an unprecedented move in the FMCG sector in Sri Lanka, given its scale, and is expected to revolutionise the marketing landscape, while increasing the 'Elephant House' brand value and visibility.

New 'Kids Range' introduced in Frozen Confectionery

The business witnessed an escalation of raw material sourcing prices such as dairy and sugar, which resulted in an increase in product prices by ~Rs.7.00 per litre of ice cream. Despite this, the business continued to maintain its market leadership position in the frozen confectionery market. CCS also continued to retain its market leadership position in the Maldives.

To augment the envisaged expansion and volume growth, the business continued to invest in consolidating its supply chain and engaged in trade development activities. The business invested in ~4,400 freezers and coolers to improve its cold storage chain and expand its presence in the market. The business also entered into partnerships to open 5 ice cream parlours, branded under 'Elephant House', with the intention of increasing brand visibility and product reach.

Convenience Foods

Keells Food Products (KFP) recorded a 2 per cent decline in volumes in 2019/20, barring volumes from 'Ezy rice', on account of challenging operational conditions during the year. Modern trade accounted for 33 per cent of volumes whilst general trade and HORECA channels accounted for 31 per cent and 35 per cent respectively. Volume growth in the HORECA channel was significantly affected post the downturn in the tourism and leisure industries as a result of the Easter Sunday terror attacks. Volume growth in the modern trade channel was driven by sausages and crumbed product categories. Growth in volumes was also hampered on account of COVID-19, given the curfew imposed from March 2020 onwards. Challenges due to an escalation in pork and chicken sourcing prices and significant price competition also exerted pressure on business performance.

New 'Ezy rice' factory in Ja-Ela

During the year under review, KFP pioneered the introduction of instant rice branded 'Ezy rice', an affordable, easy-to-prepare and ready-to-eat single serve product. The product was launched as a variant of Sri Lanka's staple food under different flavours. The business is confident that this unique offering will gain market traction, which is currently dominated by instant noodles. 'Ezy rice' represents a more nutritious alternative with more potential for customisation. The business invested in a new state-of-the art factory in Ja-Ela, to facilitate the product launch and cater to the envisaged growth in volumes. A dedicated sales team with a separate distribution channel has also been set up.

KFP invested in the expansion of the crumbed product line within its manufacturing premises in Ja-Ela, which has a capacity of 2,400 rolls per hour. The business launched a budget pack size for sausages targeting the general trade channel and a low cost Bockwurst sausage product for the HORECA channel during the year under review.

AWARDS

Two Gold awards at the National Convention of Quality and Productivity 2019.

New product 'Ezy rice' launched during the year

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

Revenue (Rs.million)	2019/20	2018/19	%
Frozen Confectionery (FC) and Beverages	14,400	13,681	5
Convenience Foods	2,604	2,527	3
Total	17,004	16,208	5

- Revenue growth within the FC and Beverage businesses was driven by even contributions to revenue from both businesses.
- The FC business recorded a 3 per cent YoY volume growth [2018/19: 10 per cent], driven by an 8 per cent volume growth in the Impulse segment.
- The Bulk: Impulse volume mix continued to shift towards the Impulse segment in the year under review with the mix at 70:30 for 2019/20 [2018/19: 71:29].
- Revenue growth in the Beverage business was driven by a YoY volume growth of 7 per cent. The volume growth was aided by a downward revision in prices of selected SKUs.
- Although volumes in the Convenience Foods business declined by 2 per cent (excluding rice) during the year under review, the business undertook a marginal price increase in certain products as a result of higher raw material prices during the year. This, coupled with the reductions in taxes from 1 December 2019 onwards, were the primary contributors to revenue growth.
- The sausage and crumbed product segments accounted for 61 per cent of total revenue within the Convenience Foods business.

EBITDA (Rs.million)	2019/20	2018/19*	%
Frozen Confectionery and Beverages	3,058	2,432	26
Convenience Foods	354	488	(28)
Total	3,412	2,920	17

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

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- The profitability of the Beverage business recorded an increase, driven by higher operating leverage and an expansion in margins which resulted in a better sales mix.
- Better absorption of fixed costs and margin improvement benefited the FC business during the year under review. It should be noted that EBITDA of the FC business in 2018/19 entailed plant commissioning and start-up costs associated with the gradual ramp-up of production at the ice cream plant at Seethawaka.
- Both the Frozen Confectionery and Beverages businesses benefited from various tax relief measures introduced by the new Government.
- Increased selling and distribution expenses as a result of branding and marketing activities for the launch of 'Ezy rice' impacted profitability of the Convenience Foods businesses.
- The recurring EBITDA for the industry group, which excludes fair value gains on investment property pertaining to CCS, was recorded at Rs.3.37 billion, a 16 per cent increase against the previous year [2018/19: Rs.2.89 billion].

PBT (Rs.million)	2019/20	2018/19*	%
Frozen Confectionery and Beverages	2,119	1,567	35
Convenience Foods	211	374	(44)
Total	2,330	1,941	20

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- In addition to the factors discussed under EBITDA, profits of the Convenience Foods business were impacted by higher depreciation and finance expenses stemming from new investments undertaken during the year, as mentioned below.
- It is pertinent to note that the year under review represents a full year of operations for the new ice cream plant as against 9 months of operations in 2018/19, resulting in the FC business recording an increase in depreciation and interest costs.
- The recurring PBT for the industry group, excluding fair value gains on investment property pertaining to CCS, was recorded at Rs.2.29 billion, a 19 per cent increase against the previous year [2018/19: Rs.1.92 billion].

Assets (Rs.million)	2019/20	2018/19	%
Frozen Confectionery and Beverages	12,755	12,269	4
Convenience Foods	2,734	2,401	14
Total	15,489	14,670	6

- The increase in assets of the industry group is mainly attributable to the Convenience Foods business as a result of the investments in the 'Ezy rice' manufacturing facility and the expansion of the crumbed product line during the year.
- The Beverages and FC businesses' investments in ~4,400 freezers and coolers during the year also contributed to the increase in the asset base.

Debt (Rs.million)	2019/20	2018/19	%
Frozen Confectionery and Beverages	3,008	2,943	2
Convenience Foods	345	39	789
Total	3,353	2,982	12

- The increase in debt is primarily attributable to the debt facilities undertaken by the Convenience Foods business for the 'Ezy rice' manufacturing facility and crumbed product manufacturing line, as discussed in the Operational Review.

Natural Capital

The Consumer Foods industry group is one of the largest contributors to the Group's water and energy footprint due to the nature of its operations. As a result, the impact on these natural resources is carefully monitored and evaluated against industry-wide best practice and benchmarks. The industry group places significant emphasis on effectively managing its natural capital through environmental initiatives, operational improvements and product innovations.

All operations of the businesses, including supply chain management, are carried out in accordance with the Group's Environmental and Energy Management policies, whilst adhering to and (where possible) going beyond all required environmental laws and regulations through continuous monitoring and testing.

CARBON FOOTPRINT

Beverages and Frozen Confectionery : 14,069 MT

Convenience Foods : 4,288 MT

The material topics relevant to the Consumer Foods industry group, identified under Natural Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial, regulatory and brand reputation implications	12 Responsible Consumption and Production, 13 Climate Action
Water and effluent management	Regulatory and brand reputation implications	

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Reduction of carbon footprint through increased usage of renewable energy and structural improvements.	▪ Installation of 150 kW capacity solar panels at CCS, capable of generating over 219,000 kWh of renewable energy annually. ▪ Increased productivity from process improvements at KFP resulting in a saving of 125,000 kWh of energy.
Water and Effluent Management	
▪ Reduction of withdrawal of water. ▪ Alignment with international benchmarks. ▪ Ensuring all effluents meet the requisite water quality standards.	▪ CCS and KFP continued to reuse wastewater for gardening and general cleaning purposes. ▪ Continued sludge dewatering and regular water quality checks to ensure discharge water quality is in line with water quality levels as stipulated by the Environmental Protection License (EPL).

IMPACTS THROUGH OTHER INITIATIVES:

The industry group worked towards minimising its environmental impact through reducing packaging waste:

Usage of recycled material to produce plastic crates for secondary ice cream packaging	50%	↓ in virgin plastic consumption
Reduction in usage of corrugated packaging of Ultra Heat Treated (UHT) products	43%	↓ in paper material used for corrugated boxes
Reduction of polythene gauge of PET bottle wrapper to 70 microns	14 MT	↓ plastic
Reduction of PET bottle neck length	69 MT	↓ annually in plastic consumption
Reduction in usage of corrugated packaging of ice cream products	24%	↓ in paper materials used for corrugated boxes

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	18,357	16,484	11
Water withdrawn (m^3)	522,663	500,275	4
Waste disposed (kg)	1,995,994	2,253,612	(11)

Carbon footprint scope 1 and 2 per operational intensity factor

	2019/20	2018/19
CCS CO_2 kg per litre produced	0.1	0.1
KFP CO_2 kg per kg of processed meat produced	0.9	0.8
CICL CO_2 kg per litre produced	0.6	0.5

Water withdrawal per operational intensity factor

	2019/20	2018/19
CCS water withdrawn - litres per litre produced	4.7	4.9
KFP water withdrawn - litres per kg of processed meat produced	16.9	13.7
CICL water withdrawn - litres per litre produced	8.4	7.1

"The industry group places significant emphasis on effectively managing its natural capital through environmental initiatives, operational improvements and product innovations. All operations of the businesses, including supply chain management, are carried out in accordance with the Group's Environmental and Energy Management policies, whilst adhering to all required environmental laws and regulations through continuous monitoring and testing."

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Waste generated per operational intensity factor

	2019/20	2018/19
CCS waste generated - kg per litre produced	0.01	0.02
KFP waste generated - kg per kg of processed meat produced	0.14	0.16
CICL waste generated - kg per litre produced	0.03	0.01

WASTE DISPOSED

1,995,994 kg

2018/19: 2,253,612 kg

11%

Human Capital

Given the nature of work in the manufacturing processes of the Consumer Foods industry group, significant emphasis is placed on ensuring a safe and healthy work environment for all its employees. Continuous investments are made in training and development, with the aim of developing skills and productivity of the employees.

NUMBER OF EMPLOYEES

Beverages and Frozen Confectionery : 1,097

Convenience Foods : 383

The material topics identified under Human Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Health and safety	Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality	8 DECENT WORK AND ECONOMIC GROWTH
Training and talent retention		

Targets	Initiatives During the Year
Health, Safety, Training and Talent Retention	
▪ Provide regular feedback and necessary training and development. ▪ Maintain and encourage a healthy working relationship with employee unions through constant dialogue and joint consultative committees.	▪ Training was provided for all factory workers, including skill specific training. ▪ Employees were provided with regular health and safety training which included firefighting, rescue, first aid, defence driving, safe chemical handling and lean management.
▪ Minimise occupational health and safety incidents. ▪ Identify and meet staff training needs and reduce employee attrition.	▪ CCS and KFP continued to maintain OHSAS certification at factories and streamlined organisational processes through continuous monitoring and process improvements to ensure a safe working environment.

COVID-19 RESPONSE

Response measures were taken to safeguard employees working at factories and office locations against the spread of COVID-19, including:

- Screening of all employees prior to entry to premises.
- Provision of hand sanitiser, face masks, and transport to and from work.
- Regular awareness sessions.
- Facilities to work from home.
- Protective suits for infected persons and maintenance of an isolation room.

A COVID-19 awareness session conducted for employees at the CCS factory

Indicators

	2019/20	2018/19	%
Injuries (number)	19	24	(21)
Training (hours)	27,724	25,629	8

It is pertinent to note that a majority of the injuries were minor in nature and no fatalities were recorded in 2019/20.

Social and Relationship Capital

Building and maintaining sustainable relationships with its stakeholders as a means of creating value for its businesses and value chain partners is at the heart of the industry group.

- Raw material is sourced from domestic markets, where possible, in order to support the development of local economies. This also allows the businesses to optimise the costs of raw material and maintain a social license for operation.

Product	Total Annual Supply (kg)	Number of Farmers
Meat	2,733,927	2,530
Spices	84,868	2,500
Cashew nuts	88,890	1,400
Vanilla	505	2,450
Ginger	49,149	600
Kithul jaggery	32,969	265
Vegetables	287,583	30
Treacle	17,625	17

- Initiatives to promote sustainable farming and industry best practice are also undertaken by the industry group as part of its sustainable value creation strategy. As a result, local farmers benefit from the guaranteed volume and price schemes offered by the businesses while also being required to adhere to environmentally friendly and efficient agricultural practices.

	Number of Farmers	Total Annual Supply (kg '000)	Total Annual Payment (Rs.million)
KFP	5,060	3,106	1,003
CCS	4,732	189	205

- Companies in the industry group annually assess all significant suppliers, including suppliers providing janitorial and outsourced services, to gauge and remedy any negative sustainability impacts as applicable.

SIGNIFICANT SUPPLIERS

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

"Raw material is sourced from domestic markets, where possible, in order to support the development of local economies. This also allows the businesses to optimise the costs of raw material and maintain a social license for operation."

The material topics relevant to Consumer Foods identified under Social and Relationship Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Supply chain and sustainable sourcing	Ensure a continuous supply of raw material which reduces risk, enhances brand reputation and benefits local businesses	3 Good Health and Well-Being; 8 Decent Work and Economic Growth; 10 Reduced Inequalities
Community engagement		

Targets	Initiatives During the Year
Supply Chain and Sustainable Sourcing	
▪ Boost agricultural activity, enhancing quality and sustainability of agricultural practices, raising income levels and standards of living in diverse communities. ▪ Improve stakeholder relationships and perceptions. ▪ Source all ingredients and produce required domestically; with exceptions only due to the shortage of raw material. ▪ Assess all significant suppliers for environmental, social and labour risks. ▪ Adherence to Group policies on labour, child and forced labour with the aim of ensuring zero incidence.	▪ CCS continued the long-term farmer 'outgrower' programme to enhance livelihoods of the local farming communities impacting 4,732 farmers in the reporting year: ◆ Ginger farmers – large quantities of dried and sliced ginger were purchased from farmers at a guaranteed price for the flagship product 'Elephant House Ginger Beer'. ◆ Vanilla farmers – purchased vanilla beans from farmers, contributing towards the protection of the local vanilla industry. ◆ Kithul jaggery – farmers in the Southern province continued to benefit from the purchasing schemes introduced. ▪ KFP continued its sustainable sourcing of poultry, spices and vegetables from 5,060 farmers.

INDUSTRY GROUP REVIEW

CONSUMER FOODS

Targets	Initiatives During the Year
Community Engagement	
▪ Build sustainable relationships in order to promote social responsibility and integration within the community.	▪ CCS continued to support John Keells Foundation's (JKF) Vision Project comprising the following: ◆ An island-wide cataract initiative for disadvantaged persons and communities, entailing 3 cataract camps in Pitabeddara screening 543 individuals, identifying 285 patients and funding 177 surgeries. ◆ The Vision Screening Programme for school children of the Colombo District, in collaboration with the Department of Health Services, by screening a total of 35,728 students in 107 schools and funding 1,822 eyeglasses. ▪ Launch of John Keells 'Praja Shakthi' initiative in Ranala in collaboration with JKF. ◆ Preliminary briefing of Government officials and Heads of schools and Zonal Education Office. ◆ 29 school children were awarded English and IT scholarships under JKF's English Language Scholarship Programme (ELSP). ▪ KFP supported the awarding of 32 English and IT scholarships to deserving school children in Pannala under ELSP. ▪ The staff at the CCS factory in Ranala organised a blood donation campaign. ▪ KFP continued to promote environment stewardship among school children, by creating awareness on waste management in collaboration with the Central Environmental Authority. ▪ During the COVID-19 pandemic, hydration for medical staff at National Institute of Infectious Diseases (IDH) was provided by CCS. ▪ CCS with JKF and JMSL distributed essential food packs to 10,500 families affected by the COVID-19 lockdown measures.

Awareness programme on Sports Medicine

Implementation of a project aimed at creating awareness on Sports Medicine

- Objective: Improving overall health and well-being of sportsman and sportswomen of selected schools.
- 555 school children of 5 schools benefited from the awareness sessions conducted in collaboration with the Sri Lanka Sports Medical Association.

"CCS with JKF and JMSL distributed essential food packs to 10,500 families affected by the COVID-19 lockdown measures."

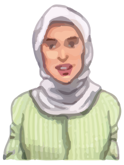
Intellectual Capital

The material topics relevant to Consumer Foods identified under Intellectual Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Product and service quality Responsible labelling and marketing communications Technological enhancements towards enhancing process excellence	Financial, regulatory, brand reputation and business continuity implications	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Targets and initiatives under the above identified material topics are as follows:

Targets	Initiatives During the Year
▪ Responsible reformulation of recipes to ensure the highest standard of nutrition and adherence to health regulations and guidelines. ▪ Formulation of new products and portfolio extensions to create value-for-money products. ▪ Ensure effective and responsible communication of nutrition facts and raw material used.	▪ Of the 310 SKUs which are manufactured: ◆ 100 per cent carried information of the ingredients used. ◆ 2 per cent carried information on raw material sourcing. ◆ 83 per cent and 79 per cent carried information on safe use, and responsible disposal of products, respectively.



RETAIL

Industry Group Structure

Supermarkets

- JayKay Marketing Services (Private) Limited (JMSL) operates the 'Keells' chain of modern retail outlets and the Nexus Mobile loyalty programme.
  - 109 outlets across the island as at 31 March 2020.
  - ~1.3 million Nexus Mobile loyalty card members.
  - 7 collection centres across the country working with ~2,000 active farmers.
  - Employment for ~4,900 individuals.
  - Marketplace for ~1,000 large and small-scale suppliers.

Office Automation

- John Keells Office Automation (JKOA) is the authorised distributor for several world-class office automation brands.
  - Sole distributor for Toshiba B&W and colour digital multi-function printers (MFPs) and Print-Now-Pay-Later (PNPL) digital copier rental solutions.
  - National distributor for Samsung smartphones.
  - Authorised distributor for Asus commercial series notebooks.
  - Other products include laser printers, large format displays (LFD), digital duplicators, POS systems, receipt and label printers, tabs, accessories, mobiles and projectors from a variety of world-class brands.

Contribution to JKH Group

41%	Revenue
21%	EBIT
6%	Capital Employed
33%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	32,351	22,115	46	14,717
Total equity	3,420	2,395	43	3,029
Total debt	18,439	10,137	82	3,689
Capital employed	21,859	12,532	74	6,719
Employees	5,115	4,956	3	4,318

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover	65,849	55,750	18	47,441
EBIT	3,196	1,436	123	1,947
PBT	1,492	253	489	1,882
PAT	1,070	33	3,121	1,336
EBIT per employee	1	0	116	0
Carbon footprint	32,342	27,879	16	23,112

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

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EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Sri Lanka recorded a 2.3 per cent growth in GDP for the calendar year 2019, a notable slowdown against the 3.3 per cent recorded in the previous year, mainly as a result of the Easter Sunday terror attacks.
- Headline inflation, based on the National Consumer Price Index (NCPI) was 6.2 per cent in December 2019, driven by an increase in the food category, while annual average headline inflation was recorded at 3.5 per cent.
    - Food inflation recorded a significant increase to 8.6 per cent in December 2019 given supply constraints on the back of adverse weather conditions.
    - Prices of the non-food category recorded a decrease in December 2019, as a result of downward revisions in taxes by the Government of Sri Lanka (GoSL) across various categories effective 1 December 2019.
    - Core inflation, which reflects the underlying inflation in the economy, decreased to 5.2 per cent in December 2019, while annual average core inflation stood at 5.7 per cent.
- Consumer discretionary spending remained subdued in CY2019 due the lacklustre performance of the economy and dampened consumer and investor confidence. However, discretionary spending witnessed a rebound towards the fourth quarter of the year under review, driven by the expansionary policy stance adopted by the Central Bank of Sri Lanka, political clarity following the conclusion of the Presidential Election and consumer-centric tax relief measures introduced by the GoSL.
- Key fiscal stimulus measures implemented by the new GoSL:
    - Reduction in the Value Added Tax (VAT) from 15 per cent to 8 per cent, effective 1 December 2019.
    - Removal of Nation Building Tax, effective 1 December 2019.
    - Reduction in the standard income tax rate from 28 per cent to 24 per cent, effective 1 January 2020.
- Although consumer confidence deteriorated to an all-time low (Nielsen 2019), in the aftermath of the Easter Sunday terror attacks and general uncertainty surrounding the Presidential Election in November 2019, confidence witnessed a rebound towards the latter end of the year under review. However, effects of the global economic downturn aggravated by the COVID-19 pandemic reversed this rebound, further deteriorating consumer confidence by end-March 2020.

Supermarkets

The Supermarket business recorded strong growth during the year under review, despite the aforementioned challenging macroeconomic landscape and subdued consumer sentiment. Growth was mainly on account of a notable contribution from new outlets and robust growth in same store footfall. Average basket values (ABV) increased during the year, reversing its period of prolonged stagnation. The growth in ABV was primarily witnessed towards the latter end of the year under review, on the back of a recovery in discretionary spending and the subsequent stockpiling of grocery items amidst the COVID-19 pandemic.

The Supermarket business continued to outperform the market, increasing its market share as per internal estimates, as at 31 December 2019. The increase in market share was primarily driven by the aforementioned footfall growth following the re-branding in 2018/19, outlet expansion and various product and process improvements implemented by the business during the year. It is pertinent to note that 2019/20 marks the first full year of operations post the rebranding for the business.

%	2019/20	2018/19
Footfall growth*	1.8	4.5
ABV growth*	2.2	(2.0)
Same store sales growth*	4.0	2.3

** Impacted by store closures following the imposition of curfew in March 2020. Please refer page 25 for detailed insights.*

It is pertinent to note that the business adopted the SLFRS 16 - Leases accounting treatment during the year.

Please refer Financial Capital for more details - page 80

Outlet Expansion

Continuing a similar momentum to 2018/19, this year marked the opening of 15 outlets and 2 closures resulting in a net addition of 13 outlets. This resulted in the total outlet count of 109 as at 31 March 2020 [2018/19: 96 outlets].

Distribution Centre

The Group originally envisaged to invest in two warehousing centres; a centralised distribution centre in Panagoda for the Supermarket business and a multi-use logistics centre in Muthurajawela for the Logistics business (LogiPark International (Private) Limited). However, upon re-evaluating the Group's exposure to warehousing, the Group de-risked the investments by repurposing the Muthurajawela land to function as the new distribution centre for the Supermarket business. Given the aforementioned change, for reporting purposes, the businesses were realigned, where LogiPark International (Private) Limited, previously reported under the Transportation industry group, was moved under the Retail industry group.

The ~300,000 sq.ft. facility, located on a 9-acre plot in Muthurajawela will cater to the expansion of the outlet network and further enhance and improve operational processes. It is expected to centralise 90 per cent of the current modern trade offering of the business, which entails the entire range except the frozen goods category of the business. It is pertinent to note that the land is particularly strategic to the business, given its proximity to the port and airport. The distribution centre is expected to cost ~Rs.4 billion.

Product and Process Initiatives

During the year under review, the business undertook a series of product and process initiatives in order to better serve its customers and boost consumer confidence in the brand, including the following:

- In furtherance to the island-wide freshness campaign titled 'We are fresh because of you', which was launched during the year, improvements were made to vegetable washing, date life coding for selected SKUs was introduced, visual merchandising of fresh food was improved and the hot food offerings range was significantly expanded.
- Completed the implementation of the state-of-the-art Enterprise Warehouse Management (EWM) system, the first implementation of this nature in South Asia. The system consolidates the entire logistics operations of the business by improving operational efficiency through enhanced traceability, scalability and accuracy, whilst providing capacity to manage the envisaged growth in volumes. This system will also be augmented with the proposed centralised distribution facility in Muthurajawela.
- 55 'Keells' private-label products were launched during the year, increasing the total number of SKUs to ~345 products, accounting for 6 per cent of total revenue. The ability to provide customers a more affordable substitute, without compromising on quality, has aided the business in capturing greater footfall.
- Aimed at growing its direct import channel, the business introduced 130 new products.
- Further to the feedback received through customer engagement surveys, initiatives aimed at addressing customer pain points were introduced. (E.g. Introduction of user-friendly weighing scales that can be operated by customers, introduction of a line at queues beyond which all POS will be opened).
- Improvements were made to store productivity under the 'Better, Simpler, Cheaper' initiative, which is designed to reduce costs through process improvements. This resulted in annualised savings of ~Rs.720 million.
- The business rolled-out its advanced analytics transformation programme where several well-defined advanced analytics use cases focused on the Supermarket business were piloted and implemented. Preliminary results of these pilot projects, aimed at areas such as promotion effectiveness, personalisation, productivity improvements, rostering are promising and expected to augur well for the business in the medium-term, given that the pilot estimates are in excess of planned baseline estimates.

AWARDS

- Ranked among the Top 10 Most Valuable Brands in Sri Lanka and the Most Valuable Supermarket Brand by Brand Finance in 2020.
- Silver award - trading category at the National Business Excellence Awards 2019.
- Silver award at Melbourne Design Awards 2019 for 'Keells' private-label packaging.
- Bronze award - Service Brand of the year at SLIM awards 2019.
- Bronze award - Innovative Brand of the year at SLIM awards 2019.

Office Automation

The lacklustre performance on the macroeconomic front, subdued consumer sentiment and continued tapering of consumer demand, as previously discussed, coupled with the discontinuation of the mass market model 'A10' by Samsung, exerted pressure on JKOA during the year. This was further exacerbated by temporary delays in shipments and effects of the COVID-19 pandemic, particularly towards the fourth quarter of the year under review. Despite this, the business recorded encouraging top line growth driven by a 4 per cent increase in mobile phone volumes during the year under review.

The copier and printer verticals recorded a reduction in volumes during the year, largely affected by the macroeconomic landscape and a slowdown in Government purchases, given the suspension of several projects post the conclusion of Presidential Election. However, it should be noted that JKOA continued to maintain its market leadership position in the copier vertical during the year under review.

In line with evolving consumer trends and retail landscape in the country, the business opened a state-of-the-art showroom at the exclusive One Galle Face Mall during the year under review. The ~1,000 sq.ft. 'Samsung Experience Store' showcases a wide range of premium Samsung products and is the first of its kind in Sri Lanka. The experience combines latest technology with world-class customer service and will be positioned as a flagship store of the business.

New JKOA showroom at One Galle Face Mall

INDUSTRY GROUP REVIEW

RETAIL

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

Revenue (Rs.million)	2019/20	2018/19	%
Supermarkets	54,654	45,538	20
Office Automation	11,195	10,212	10
Total	65,849	55,750	18

- Revenue growth of the Supermarket business was driven by a notable contribution from new outlets and robust growth in same store sales.
- Revenue growth in the Office Automation business was driven by volume growth from Samsung mobile phone units.

EBITDA (Rs.million)	2019/20	2018/19*	%
Supermarkets	4,267	2,367	80
Office Automation	843	523	61
Total	5,110	2,890	77

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- It is pertinent to note that with effect from 1 April 2019, the Group adopted SLFRS 16 - Leases, which primarily impacts the accounting treatment of the Group's operating leases and lease commitments. Under the new standard, lease expenses are replaced by depreciation and interest expense, resulting in higher EBITDA. Given the operating model of the Supermarket business and the significant number of leases under the business, the EBITDA for 2018/19 has been adjusted to reflect the impact from SLFRS 16 - Leases, to depict the underlying performance of the business.
- The increase in EBITDA in the industry group was driven by the Supermarket business on account of the aforementioned growth in sales.
- It is encouraging to note that margins in 2019/20 have improved as envisaged, as the performance of the new stores continue to normalise, given that margins are typically lower in the first 12 months of operations. However, performance was impacted to an extent, by tougher trading conditions due to dampened consumer sentiment.
- It is pertinent to note that 2018/19 margins were distorted, to an extent, on account of one-off costs associated with the rebrand and refit initiative undertaken in the previous year.
- EBITDA growth of the Office Automation business was driven by a net exchange gain on inventory during the year, as well as a decrease in distribution expenses.

PBT (Rs.million)	2019/20	2018/19*	%
Supermarkets	925	34	2,634
Office Automation	567	220	158
Total	1,492	254	489

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- In addition to factors affecting EBITDA as discussed above, although PBT margins in the Supermarket business have improved against last year, the business was impacted by higher interest expenses based on the planned funding strategy of the outlet expansion, and higher depreciation in lieu of a higher outlet count.
- The Office Automation business benefited from reduced finance cost during the year on account of reduced debt due to a lower working capital cycle and a reduction in the depreciation charge.

Assets (Rs.million)	2019/20	2018/19	%
Supermarkets	29,022	17,886	62
Office Automation	3,329	4,229	(21)
Total	32,351	22,115	46

- Total assets in the Supermarket business increased by 62 per cent during the year, driven by the right-of-use assets created with the adoption of SLFRS 16 - Leases. The increase in total assets, excluding this notional asset was ~16 per cent, mainly on account of the outlet expansions which took place in the year under review. To this end, 15 new outlets were added during the year.
- In line with repurposing of the Muthurajawela land, held under LogiPark International (Private) Limited (LPI), to function as the new distribution centre for the Supermarket businesses, as discussed under the Operational Review, the businesses were realigned, where LPI, previously reported under the Transportation industry group, was moved under the Supermarket business. For comparison purposes, 2018/19 figures have also been adjusted to reflect this change.
- From the fourth quarter of 2019/20 onwards, the Office Automation business reduced its hold on inventory by improving its internal processes, which is reflected in its asset base.

Debt (Rs.million)	2019/20	2018/19	%
Supermarkets	17,390	8,084	115
Office Automation	1,049	2,053	(49)
Total	18,439	10,137	82

- The increase in total debt in the Supermarket business was on account of short-term debt facilities undertaken to fund the expansion of outlets during the year. Liabilities also include a right-of-use liability of ~Rs.7.5 billion, which is a notional liability created with the adoption of SLFRS 16 - Leases.
- The decrease in total debt in the Office Automation business was due to a decrease in overdraft facilities and short-term borrowings. 2018/19 included facilities and import demand loans undertaken by the business to manage working capital requirements.

Natural Capital

Given the rapid expansion of the Supermarket business and the inherent environmental impacts entailing such expansions, end-to-end business operations, from supply chain management to outlet operations, are conducted in accordance with the Group's Environmental and Energy Management policies, with strict adherence to all required environmental laws and regulations.

CARBON FOOTPRINT

Supermarkets : 32,076 MT
Office Automation : 266 MT

The material topics relevant to the Retail industry group, identified under Natural Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial, regulatory and brand reputation implications	12 Responsible consumption and production; 13 Climate action
Waste and effluent management	Regulatory and brand reputation implications	

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Reduction of energy consumption and the resultant reduction in carbon footprint.	▪ JMSL installed solar power systems in 23 'Keells' outlets, with the outlet count using renewable energy at 56 outlets as at 31 March 2020. ◆ Generated ~7.7 Mn kWh, constituting 14 per cent of the total energy requirement. ▪ Adoption of an energy efficient building design for 'Keells' outlets through the use of skylights, LED lighting, operational guidelines and efficient cooling systems.
Waste and Effluent Management	
▪ Ensure all effluents meet requisite water quality standards.	▪ Selected 'Keells' outlets continued the reuse of wastewater for gardening and general cleaning purposes.
▪ Alignment with international benchmarks.	▪ Empty toner cartridges, used laptops and copiers sold by JKOA were recycled through certified third-party recyclers.

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	32,342	27,879	16
Water withdrawn (m^3)	236,479	199,388	19
Waste disposed (kg)	2,742,480	2,350,957	17

Carbon footprint scope 1 and 2 per operational intensity factor

	2019/20	2018/19
JMSL CO_2 kg per sq. ft. of outlet area	31.6	29.9
JKOA CO_2 kg per sq. ft. of office space	13.6	15.6

Water withdrawal per operational intensity factor

	2019/20	2018/19
JMSL water withdrawn - litres per sq. ft. of outlet area	229.7	213.3

"End-to-end business operations, from supply chain management to outlet operations, are conducted in accordance with the Group's Environmental and Energy Management policies."

'KEELLS' PLASTIC PROMISE

TARGET	PROGRESS
GOAL FOR 2024/25	STATUS AS AT 2019/20
50%	35%
vs. 2017/18 Baseline	vs. 2017/18 Baseline

In line with its vision of improving quality of life for the nation, 'Keells' became the first retailer in the country to pledge a 50 per cent reduction in its use of single-use plastics by the year 2025.

To fulfil this promise, the business undertook several initiatives to reduce plastic consumption in its stores, as outlined below. Additionally, the business continued to undertake training for its staff to reassess current work routines and engage with stakeholders to partner with the business towards minimising plastic use.

Under the initiative 'Protect the Planet', 'Keells' launched several campaigns against single use plastics, such as:

- 'Keells Green Bag'- a range of reusable and eco-friendly cloth bags were introduced to minimise the use of polythene bags.
- BYOB (Bring Your Own Bag) - a discount on the bill for customers bringing their own eco-friendly reusable bags.
- BYOC (Bring Your Own Container) - to reduce the need for polythene or any kind of packaging for fresh fish, meat and bakery items this initiative was launched to encourage customers to bring their own containers.
- Introduction of compostable bags at the fish and meat counters and paper straws at the juice counters.
- Placing of 'Plasticcycle' bins at outlets for customers to dispose used plastic items.

IMPACT

- 35,000 reusable bags sold.
- 45,000 bags reused.
- Reduction of 215,000 plastic straws.

Reusable and eco-friendly cloth bags introduced under the 'Keells Green Bag' initiative

Waste generated per operational intensity factor

	2019/20	2018/19
JMSL waste generated - kg per sq. ft. of outlet area	2.7	2.6

** Water usage and waste generated for JKOA are not disclosed as they are not considered to be material.*

" 'Keells' became the first retailer in the country to pledge a 50 per cent reduction in its use of single-use plastics by the year 2025."

Human Capital

Given the nature of the modern trade and office automation industries, where labour retention is identified as a key concern, the industry group places significant emphasis on retaining its workforce, providing required training, which in turn has improved skills and productivity and enabled career development while creating a safe and healthy work environment.

NUMBER OF EMPLOYEES

Supermarkets	:	4,917
Office Automation	:	198

The material topics identified under Human Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Health and safety Training and talent retention	Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality	8 DECENT WORK AND ECONOMIC GROWTH

Targets	Initiatives During the Year
Health and Safety, Training and Talent Retention	
▪ Provide regular feedback, necessary training and development to develop employees. ▪ Minimise occupational health and safety incidents.	▪ JMSL continued the 'Rekiya Saviya' campaign, an extensive island-wide recruitment campaign with added benefits for new recruits in the year in review. During 2019/20, over 1,900 individuals were recruited.
▪ Identify and meet the training needs of the staff. ▪ Encourage healthy labour relations.	▪ The 'Keells Retail Academy' online learning platform, allowed both Head Office and outlet employees to complete learning modules which aided employees to progress further in their respective careers. The portal has over 21,000 unique users since April 2019. ▪ JMSL carried out a Management Trainee Programme for outlet executives. This was a special training for selected recruits for swift managerial promotions carried out at all 90 outlets. ▪ Occupational safety training videos were used at staff inductions while providing safety gear and additional in-store and digital awareness material for over 4,800 employees. ▪ First-aid training and fire safety training was conducted for all outlet staff and selected head office staff.

Indicators

	2019/20	2018/19	%
Injuries (number)	27	63	(57)
Training (hours)	214,966	330,275	(35)

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

"Occupational safety training videos were used at staff inductions while providing safety gear and additional in-store and digital awareness material for over 4,800 employees."

COVID-19 RESPONSE

JMSL carried out several initiatives to ensure continued operations under stringent guidelines during the COVID-19 pandemic:

- Employees were educated on safety measures and best practice.
- Face masks and hand sanitisers were provided to outlet staff.
- Transportation was provided for outlet staff, to and from outlets.
- Customers were informed of safety measures and hand washing points were established at all outlet entrances for outlets opened for customers during periods in which curfew was eased.
- Certain outlets were opened for limited time periods in adherence with Government stipulations to serve Medical service staff and Tri-forces working on the front lines.
- Head office staff volunteers supported outlet staff on service days while other staff from the John Keells Group coordinated through JKF, were also engaged in assisting in the preparation of online delivery during curfew periods.
- Payment terms were revised, advancing payments for small-scale suppliers.

JMSL outlet staff were provided with face masks during the COVID-19 pandemic

Social and Relationship Capital

Building sustainable and mutually beneficial relationships with supply chain partners, consumers and all other stakeholders is pivotal for sustainable value creation. Sourcing high quality, fresh produce that meets customer expectations while strengthening the development of the local economy, and focusing on educational needs of the communities the industry group operates in, are some of the strategies employed to create value through operations.

At JMSL, industry best practice, good manufacturing practices and sustainable farming initiatives, among others, are shared with the industry group's farmer community via engagements conducted throughout the year, connecting farmers with qualified third-party consultants.

SUPERMARKET BUSINESS

No. of farmers	:	2,530
Annual supply (kg '000)	:	27,502
Annual payments (Rs.million)	:	3,816

RETAIL

Significant supplier groups within the Supermarket business are illustrated below:

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

The material topics identified under Social and Relationship Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Supply chain and sustainable sourcing	Ensure a continuous supply of raw material which reduces risk, enhances brand reputation and benefits local businesses	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES
Community engagement	Community focus and brand reputation	

Targets	Initiatives During the Year
Supply Chain and Sustainable Sourcing	
▪ Boost agricultural activity in villages, enhancing the quality and sustainability of agricultural practices, raising income levels and standards of living in diverse communities while improving stakeholder relationships and perceptions. ▪ Assess all significant suppliers for environmental, social and labour risks . ▪ Adhere to the Group's policies on labour, child and forced labour with the aim of ensuring no violations.	▪ JMSL's sustainable sourcing initiatives target improvements in the fresh produce supply chain to ensure safe and fresh produce for its customers, benefiting farmers in the Central and Northern Provinces. Some of the other key activities carried out are listed below: ◆ An introductory programme related to the GMP Certification was organised for certain small-scale suppliers of which five were selected to provide guidance in preparing for the GMP certification audit. ◆ Provision of free technical assistance via a helpline to farmers. ◆ Offering free technical assistance in collaboration with the Institute of Post-Harvest Technology. ◆ JMSL has been pioneering the purchase of scientifically ripened mangos and supplied over 10,000 crates to farmers in the Central Province. ◆ JMSL began sourcing produce from greenhouses in the Central Province. ▪ All significant suppliers were assessed during the year for environmental, social and labour risks.
Community Engagement	
▪ Build ongoing and sustainable relationships in order to promote social responsibility and integration within the community.	▪ JMSL continued its strategic collaboration with John Keells Foundation under its education pillar: ◆ 127 school children (including children of JMSL suppliers) received English and IT scholarships under the John Keells English Language Scholarship Programme. ◆ Four students were awarded scholarships under John Keells Foundation's Higher Education Scholarship Programme, to encourage Advanced Level/university education. ▪ In an effort to address the food requirements of disadvantaged persons, selected 'Keells' outlets donated 7 kg – 12 kg of usable fresh produce per store to non-profit organisations who provide meals for the needy on a daily basis. ▪ 'Hari de Kamu' (Let's Eat Right) project - JMSL conducted a workshop at Pahala Giribawa Primary school on healthy eating habits for 68 students, teachers and parents. ▪ JMSL introduced a range of organic 'Keells' products (private label) and a 'Healthier Choice' concept in selected 'Keells' outlets to encourage customers to purchase healthier food items. ▪ JMSL developed an e-module under 'Project WAVE' (Working Against Violence through Education) for in-house awareness creation, in place of their classroom-based awareness for staff. ▪ JMSL donated over 20 tonnes of vegetables to the National Institute of Infectious Diseases (IDH), armed forces and orphanages in the wake of the COVID-19 pandemic. JMSL (together with CCS) also supported JKF in providing food provisions for IDH staff and 10,000 essential food packs to disadvantaged families.

Intellectual Capital

The material topics identified under Intellectual Capital are as follows:

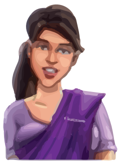
Material Topic	Relevance/Implication	Alignment with SDGs
Product and service quality	Financial, regulatory, brand reputation and business continuity implications	
Responsible labelling and marketing communications		

Targets	Initiatives During the Year
Product and Service Quality, Responsible Labelling and Marketing Communications	
▪ Formulation of new products and portfolio extensions to create value for money products and services. ▪ Ensuring effective and responsible marketing communication. ▪ Strategic partnerships and certifications.	▪ JMSL obtained SLS 1432 (SMMS) certification for 84 'Keells' outlets and SLS 143 (GMP) certification for 91 outlets. ▪ Of the 387 stock keeping units which are sourced by JMSL for private labelling; ◆ 65 per cent carried information on the ingredients use. ◆ 1 per cent carried information on raw material sourcing. ◆ 37 per cent and 96 per cent carried information on safe use, and responsible disposal of products, respectively. ▪ JKOA continued to operate as the authorised distributor of mobile devices for Samsung in the country, whilst also maintaining a product portfolio of other world-renowned brands.

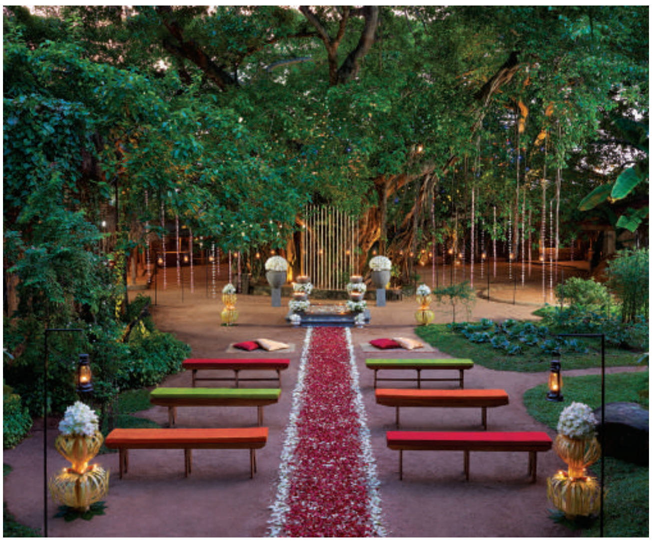
Other initiatives:

- Brand equity (store equity index) increased significantly during the year under review. The store equity index stood at the highest level recorded thus far.
- The online website was revamped to ensure a better user experience.
- Launched 'Keells Power Shopper' - the first mobile game by a Sri Lankan retail chain.
- Introduction of 'Keells Millionaire' – an inaugural trade campaign based on a digital gaming platform.
- Invested in a new supplier collaboration platform, 'Keells Advance Network Exchange' (KANE).

INDUSTRY GROUP REVIEW



LEISURE



Industry Group Structure

City Hotels

- Two city hotels that offer ~34 per cent of the 5-star room capacity of Colombo:
  - 'Cinnamon Grand Colombo' - 501 rooms.
  - 'Cinnamon Lakeside Colombo' - 346 rooms.
- Lean luxury hotel in Colombo, 'Cinnamon red Colombo' - 243 rooms.
- 21 restaurants collectively run by the three city properties.

Resorts

- Resort hotels spread across prime tourist locations in Sri Lanka and in the Maldives with a product offering which leverages on the natural diversity of the country under the brand 'Cinnamon Hotels & Resorts'.
- Sri Lankan Resorts:
  - 8 resort hotels
  - 1,022 rooms
- Maldivian Resorts:
  - 4 resort hotels
  - 454 rooms

Destination Management

- Two destination management companies in Sri Lanka:
  - Walkers Tours
  - Whittall Boustead Travel

Hotel Management

- Cinnamon Hotel Management Limited (CHML), the hotel management arm of the Leisure Industry Group.

Contribution to JKH Group

11%	Revenue
(6%)	EBIT
27%	Capital Employed
33%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	**100,939**	78,681	28	73,445
Total equity	**62,013**	62,201	(0)	58,585
Total debt	**29,455**	6,093	383	5,154
Capital employed[1]	**91,469**	68,294	34	63,739
Employees[2]	**4,542**	4,434	2	4,823

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover[3]	**17,754**	24,113	(26)	25,298
EBIT	**(869)**	2,586	(134)	4,125
PBT	**(1,540)**	1,868	(182)	3,909
PAT	**(1,548)**	1,473	(205)	3,343
EBIT per employee	**(0)**	1	(133)	1
Carbon footprint	**31,510**	35,382	(11)	38,835

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

1. *For equity accounted investees the capital employed is representative of the Group's equity investment in these companies.*
2. *As per the sustainability reporting boundary.*
3. *Revenue is inclusive of the Group's share of equity accounted investees.*

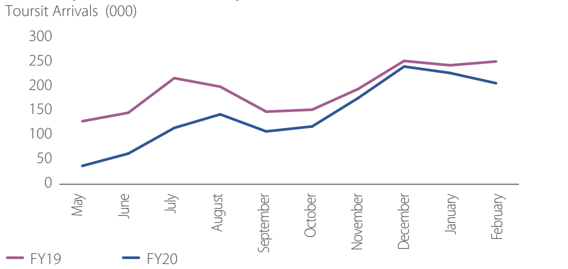
EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE - SRI LANKA

Industry Indicators

- Tourist arrivals to Sri Lanka stood at 1,913,702 for CY2019, a decrease of 18 per cent against CY2018, primarily on account of the multiple terror attacks across the country on Easter Sunday, 21 April 2019, and the resultant adverse travel advisories imposed by key tourist markets.
- The month-on-month recovery in arrivals was faster than anticipated and forward bookings for the Sri Lankan hotels exhibited a continuous upward trend with bookings in the peak season being in line with the corresponding period of the previous year, albeit at moderately lower room rates.
    - However, arrivals in the fourth quarter of 2019/20 were hampered due to the global travel advisories in the wake of the COVID-19 pandemic, escalating from January 2020 onwards.

Recovery Post-Easter Sunday Attacks



- The industry recorded total earnings of USD 3.61 billion in CY2019 [CY2018: USD 4.38 billion]
- Average room nights per tourist was recorded at 10.4 nights for the CY2019 [CY2018:10.8 room nights]
- Direct employment generated from the tourism industry was 173,592 in CY2019, against 169,003 in CY2018.
- Average receipts per tourist per day was USD 181 [CY2018: USD 174].

COVID-19 Developments

- Suspension of visa on arrival for Chinese tourists in January 2020 contributed to a decline in tourist arrivals from China in Q1 of CY2020, resulting in China dropping out of Sri Lanka's top 10 tourist source markets for the first time since 2012.
- All international airports in Sri Lanka were closed for the operation of inward international commercial passenger flights with effect from 19 March 2020 until further notice.
- The Government, via the CBSL, announced refinancing facilities for affected sectors including tourism, in March 2020. This includes:
    - 6-month debt moratorium for interest and capital.
    - Working capital loans – the higher of 2 months working capital or Rs.25 million per bank per borrower at 4 per cent interest.
    - Permanent overdraft and trade financing facilities falling due up to 25 March 2020 extended to 30 September 2020 and capped at 13 per cent interest.
- The Sri Lanka Tourism Development Authority has initiated a post COVID-19 action plan to revive the tourism sector.

Other Developments

- Key fiscal stimulus measures implemented by the Government of Sri Lanka (GoSL):
    - Reduction in the Value Added Tax (VAT) from 15 per cent to 8 per cent, effective 1 December 2019.
    - Removal of Nation Building Tax, effective 1 December 2019.
    - Foreign currency receipts from the supply of services exempted from income tax, with effect from 1 December 2019.
    - Tourism businesses for which at least 60 per cent of total inputs are sourced from local suppliers/sources exempt from VAT.
- In February 2020, the Government signed an agreement with Japan's Taisei Corporation for the development of the second Passenger Terminal at the Bandaranaike International Airport (BIA).
- The Government published the National Policy Framework (NPF) titled 'Vistas of Prosperity and Splendour' aimed at spurring socioeconomic growth, which highlights a tourism development plan aimed at increasing annual tourist arrivals to 7 million tourists by 2025.

1,913,702 tourist arrivals for CY2019

Tourist arrivals were primarily driven by;

839,470 arrivals
Asia Pacific Market

Arrivals in the Asia Pacific market were driven by:

India **355,002** arrivals

China **167,863** arrivals

887,572 arrivals
European Market

Arrivals in the European market were driven by:

United Kingdom **198,776** arrivals

Germany **134,899** arrivals

India, United Kingdom, China and Germany were the 4 largest country-wise contributors to tourist arrivals in CY2019.

INDUSTRY GROUP REVIEW

LEISURE

City Hotels

As elaborated in the JKH Annual Report 2018/19, a series of coordinated attacks took place in the country on Easter Sunday, 21 April 2019, targeting several religious establishments and three city hotels, including the Group's flagship City Hotel property, 'Cinnamon Grand Colombo'. The explosion occurred at the 'Taprobane' restaurant, claiming the lives of 15 guests and 5 staff members.

Due to the decrease in arrivals to the country following these unfortunate events, the City Hotels sector witnessed a lacklustre year of operations. Combined with the low rate of absorption of the room inventory which came on board in 2018/19 within Colombo, occupancy was further impacted by a slowdown in MICE and corporate travel given the political uncertainty surrounding the Presidential Election in November 2019. To this end, the combined business and MICE arrivals to the Group's 5-star properties decreased by 30 per cent.

In light of the challenges faced by the industry following the Easter Sunday terror attacks, the Minimum Room Rate (MRR) imposed on Colombo city hotels was removed effective May 2019. As a result of the increasingly competitive operating environment, the City Hotels sector recorded a decline in average room rates (ARR).

It is heartening to note that, despite the challenging operating conditions, 'Cinnamon Lakeside Colombo' increased its fair share while 'Cinnamon red Colombo' maintained its fair share. However, fair share of 'Cinnamon Grand Colombo' was impacted by the closure of the hotel following the Easter Sunday terror attacks.

City Hotels	Average Room Rate (USD)		Occupancy (%)	
	2019/20	2018/19	2019/20	2018/19
Cinnamon Grand Colombo	115	128	28	48
Cinnamon Lakeside Colombo	85	127	42	49
City Hotels sector (excl. Cinnamon red Colombo)	100	128	34	48

Despite the challenging operating conditions, the food and beverage (F&B) offering of the City Hotels sector continued to record an improvement given the emphasis on quality and service, and on the back of promotional campaigns undertaken during the year, underscoring the unparalleled culinary service experience at the 'Cinnamon' hotels. An increase in events such as 'Jazz by the Lake' also drove footfall to the properties.

AWARDS

- Best of Sri Lanka by Trip Expert – Cinnamon red Colombo
- Experts' Choice by Trip Expert – Cinnamon red Colombo
- Loved by Guests Award by Hotels.com – Cinnamon Lakeside Colombo
- Tripadvisor Traveller's Choice 2019 – Cinnamon Lakeside Colombo

Exterior view of the newly refurbished 'Cinnamon Bentota Beach' property

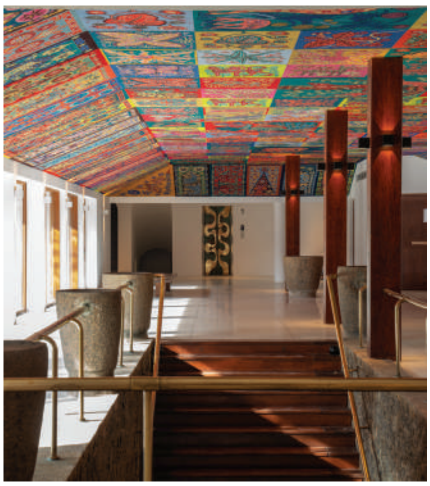
Sri Lankan Resorts

Similar to the City Hotels sector, the Sri Lankan Resorts segment recorded a decline in both occupancies and room rates due to the lower tourist arrivals to the country. Intense competition from both graded and informal sectors exerted further pressure on occupancies and ARRs.

Sri Lankan Resorts		2019/20	2018/19
ARR	(USD)	78	90
Occupancy	(%)	61	80

The Sri Lankan Resorts segment demonstrated an encouraging rate of recovery post the Easter Sunday terror attacks, recovering faster than most peers. To this end, the segment near recovered to its 2018/19 total revenue per available room (TRevPAR) by December 2019, and was on track to achieve TRevPARs in line with 2018/19 by March 2020, prior to the impact of the COVID-19 pandemic.

The newly refurbished 'Cinnamon Bentota Beach' was launched in January 2020, with revamped services and offerings in line with global luxury standards. The construction work on the hotel was conducted whilst 'architecturally archiving' the key architectural elements of the 50-year old heritage property, ensuring the preservation of the original Bawa design. This property further strengthens the Group's leisure portfolio, offering luxury services at a premium ARR in line with international standards. The business will leverage on the unique architecture and location of the property, the premium F&B offering, and its appeal to tourists and locals alike as a showcase of Sri Lankan heritage, to position the property as the Group's flagship 'Cinnamon' hotel.



Interior view of the newly refurbished 'Cinnamon Bentota Beach' property

MACROECONOMIC UPDATE - MALDIVES

- Tourist arrivals to the Maldives reached a record 1,702,887 arrivals in CY2019, an increase of 15 per cent against CY2018.
  - Tourist arrivals were driven by the European and Asia Pacific markets which accounted for 49 per cent and 41 per cent of total arrivals, respectively.
  - China remained the largest country-wide contributor to arrivals with 284,029 arrivals in CY2019.
- In December 2019, the Maldives Marketing and Public Relations Corporation (MMPRC) announced its new tourism strategy for 2020, which emphasises on promoting its rich culture and attracting niche markets such as MICE, culture and sports tourism.
- The Maldivian Government resumed tourism leases during the year, which were previously conducted under a closed bidding process, allocating 29 uninhabited islands and land from several inhabited islands for new tourism developments.
- The addition of a new terminal to Velana International Airport (VIA) is currently underway with expected completion in CY2022. This transformation is expected to increase the passenger handling capacity to 7.5 million and improve the operational efficiency of the airport.

Maldivian Resorts

After ~2 years of reconstruction and refurbishments across its Maldivian properties, the full complement of all the Group's Maldivian hotels, including the addition of a brand new five-star fourth property, were operational from the fourth quarter of the year under review.

In this regard, the Group introduced its fourth resort in the Maldivian Resorts segment 'Cinnamon Velifushi Maldives' in October 2019. The 5-star deluxe resort consisting of 90 rooms and located in close proximity to Velana International Airport, commenced operations in October 2019. In line with the Group's asset-light investment strategy, the hotel was handed over to 'Cinnamon' on an operating lease for a period of 10 years with the option for further extension. The new property is positioned as a premium luxury beach resort and is marketed at higher ARRs than the other properties in the Group's Maldivian portfolio.

'Cinnamon Hakuraa Huraa Maldives' was reopened in December 2019 following an 18-month refurbishment. The refurbished resort is located on two separate islands in close proximity to each other. The main island resort features 70 water bungalows and 10 beach bungalows, while the smaller, exclusive island, entails 20 platinum beach bungalows and is accessible via a walkway bridge.

The recommencing of operations of 'Cinnamon Dhonveli Maldives' in January 2020, post a partial refurbishment of 128 rooms, marked the full complement of the Maldivian Resorts portfolio being in operation.

Aerial view of 'Cinnamon Velifushi Maldives'

Whilst the segment was well positioned to capitalise on the tourism growth momentum by leveraging on its new and premium product offering, performance was hampered given travel advisories and restrictions in the wake of the COVID-19 pandemic, particularly from February 2020 onwards.

It is encouraging that following the refurbishment of 'Ellaidhoo Maldives by Cinnamon' and the water suites at 'Cinnamon Dhonveli Maldives' last year, the average room rates recorded for these properties continued to remain above expectations, underscoring the quality and uniqueness of the product offering. As such, the ARRs for this segment witnessed an increase of 14 per cent from the previous year on account of increased yields given the reopening of newly refurbished properties, particularly the premium offering in select categories in the properties. It is pertinent to note that although tourist arrivals to Maldives recorded notable growth, growth was primarily driven by arrivals from India which was aided by the operation of low cost carriers, which did not translate to room nights occupied at Group properties. In addition to this impact, occupancies of the segment were also impacted by the partial closure of 'Cinnamon Dhonveli Maldives'.

Maldivian Resorts		2019/20	2018/19
ARR	(USD)	364	320
Occupancy	(%)	56	84

Destination Management

The operating environment of the Destination Management business was adversely impacted by the slowdown of tourist arrivals during the year under review and the insolvency of major tour operator partner Thomas Cook. Further exacerbating the pressure on operations, the business witnessed a large number of cancellations from the Chinese and Far East markets on account of the initial outbreak of COVID-19 towards the latter part of the year under review.

The new front-end reservation system OKLO, implemented by Walkers Tours in the previous year, came into full effect in the year under review, enabling the business to reach wider audiences using digital channels with seamless connectivity. The business witnessed an expansion of business from India and MICE segments despite challenging operating conditions. The Destination Management sector also focused on moving beyond serving as a traditional intermediary by partnering with several online B2B and B2C transactional platforms during the year to drive business growth.

Cinnamon Events

'Cinnamon' events were somewhat curtailed in the year under review on account of the heightened security environment following the Easter Sunday terror attacks and the subsequent travel restrictions due to COVID-19. Certain significant events which occurred during the year included the third edition of the 'Future of Tourism Summit' featuring celebrities such as Richard Quest, CNN journalist, among others. 'Cinnamon Life' organised the exclusive forum titled 'Emerging Markets and Sri Lanka's Growth Trajectory' in December 2019 featuring veteran emerging market investor Dr. Mark Mobius.

Investor forum featuring veteran emerging market investor Dr. Mark Mobius, organised by 'Cinnamon Life'

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

Revenue* (Rs.million)	2019/20	2018/19	%
City Hotels	5,286	7,330	(28)
Sri Lankan Resorts	4,141	5,401	(23)
Maldivian Resorts	5,390	5,349	1
Destination Management	2,880	5,931	(51)
Hotel Management	57	102	(44)
Total	17,754	24,113	(26)

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

- The downturn in the industry group's revenue is as a result of the Easter Sunday terror attacks in April 2019 and the resultant travel advisories imposed on Sri Lanka. Revenue was further impacted by the global outbreak of the COVID-19 pandemic from the fourth quarter onwards.
- Against this backdrop, the City Hotels sector and Sri Lankan Resorts segment recorded a decline in occupancies and room rates, which collectively contributed to the decrease in revenue.
- Revenue growth in the Maldivian Resorts segment was muted due to the partial closure of 'Cinnamon Dhonveli Maldives' for refurbishment. 'Cinnamon Hakuraa Huraa Maldives' was closed for refurbishment in May 2018 and was reopened in December 2019. The decision by the Government of Maldives to deny entry to tourists from key source markets in the fourth quarter of the year under review, in the wake of the COVID-19 pandemic, also impacted revenue generation.
- Revenue decline in the Destination Management sector stemming from a decrease in tourist arrivals was exacerbated, to an extent, by the insolvency of Thomas Cook during the year.
- The Hotel Management sector recorded a decline in revenue as a result of lower management fees given the subdued performance of hotels, as outlined above.

EBITDA* (Rs.million)	2019/20	2018/19**	%
City Hotels	544	1,635	(67)
Sri Lankan Resorts	470	1,543	(70)
Maldivian Resorts	1,437	1,507	(5)
Destination Management	(63)	340	(119)
Hotel Management	(25)	329	(108)
Total	2,363	5,354	(56)

** Share of results of equity accounted investees are shown net of all taxes.*
*** Adjusted to reflect impacts from SLFRS 16 - Leases, for comparison purposes.*

- It is pertinent to note that with effect from 1 April 2019, the Group adopted SLFRS 16 - Leases, which primarily impacts the accounting treatment of the Group's operating leases and lease commitments. Under the new standard, lease expenses are replaced by depreciation and interest expenses, resulting in higher EBITDA under the new standard. Given the significant number of leases under the business, particularly the Maldivian Resorts segment, the EBITDA for 2018/19 has been adjusted to reflect impacts from SLFRS 16 - Leases, in order to depict the underlying performance of the business.

- The industry group EBITDA was primarily impacted by the City Hotels sector and Sri Lankan Resorts segment, in line with the aforementioned decline in revenue.
- In addition to the decline in revenue, the Maldivian Resorts segment was impacted by higher administration expenses stemming from the start-up costs relating to 'Cinnamon Hakuraa Huraa Maldives' and the new resort, 'Cinnamon Velifushi Maldives'.
- The recurring EBITDA of the industry group, excluding fair value gains on investment property, amounted to Rs.2.34 billion, a 56 per cent decrease against the previous year.

PBT* (Rs.million)	2019/20	2018/19**	%
City Hotels	(58)	991	(106)
Sri Lankan Resorts	(294)	688	(143)
Maldivian Resorts	(954)	(373)	(156)
Destination Management	(87)	324	(127)
Hotel Management	(147)	238	(162)
Total	(1,540)	1,868	(182)

** Share of results of equity accounted investees are shown net of all taxes.*
*** Adjusted to reflect impacts from SLFRS 16 - Leases, for comparison purposes.*

- The primary drivers for the decrease in profitability were the aforementioned factors impacting EBITDA.
- The Sri Lankan Resorts segment recorded an increase in finance cost on account of the debt facilities undertaken for 'Cinnamon Bentota Beach' during the year.
- The Maldivian Resorts segment was impacted by increased finance cost in lieu of debt facilities undertaken for the aforementioned refurbishments, and an increase in overdraft facilities. Finance cost was also exacerbated given the recognition of finance costs on right-of-use liabilities with the adoption of SLFRS 16 – Leases.
- The City Hotels sector recorded a decrease in finance cost in line with its repayments.

Assets (Rs.million)	2019/20	2018/19	%
City Hotels	38,310	38,534	(1)
Sri Lankan Resorts	19,869	16,762	19
Maldivian Resorts	39,337	18,719	110
Destination Management	2,063	3,046	(32)
Hotel Management	1,360	1,620	(16)
Total	100,939	78,681	28

- The creation of right-of-use assets with the adoption of SLFRS 16 – Leases was a key contributor to the increase in assets of the Leisure industry group, particularly the Maldivian Resorts segment, during the year under review. The ensuing details the primary reasons for the increase in total assets, excluding the aforementioned impact of SLFRS 16 – Leases.
- The Maldivian Resorts segment recorded a notable increase in assets due to significant additions to property, plant and equipment, stemming from the addition of 'Cinnamon Velifushi Maldives' to the Maldivian hotel offering, as well as refurbishments to 'Cinnamon Hakuraa Huraa Maldives' and 'Cinnamon Dhonveli Maldives'. Given that the functional currency of the Maldivian Resorts segment is US Dollars, the depreciation of the LKR against the US Dollar particularly in March 2020 given uncertainty surrounding the COVID-19 pandemic, also contributed to a notable increase in the asset base.
- The Sri Lankan Resorts sector also recorded an increase in assets due to significant additions made to property, plant and equipment on account of the reconstructed 'Cinnamon Bentota Beach' which recommenced operations during the fourth quarter.
- A reduction in trade and other receivables resulted in a contraction in the asset base of the Destination Management sector.

Debt (Rs.million)	2019/20	2018/19	%
City Hotels	368	371	(1)
Sri Lankan Resorts	3,779	846	346
Maldivian Resorts	24,374	4,220	478
Destination Management	427	239	79
Hotel Management	507	417	22
Total	29,455	6,093	383

- It is pertinent to note that the creation of a notional liability i.e. right-of-use liability amounting to ~Rs.13.0 billion, with the adoption of SLFRS 16 - Leases, was a key factor that contributed to the increase in debt in the Leisure industry group, particularly the Maldivian Resorts segment. The ensuing discussion details the primary reasons for the increase in debt, excluding the impact of SLFRS 16 - Leases.
- The increase in debt in the industry group stemmed primarily from the Maldivian Resorts segment, due to the long-term debt facilities undertaken for capital expenditure as outlined earlier and overdraft facilities undertaken to manage working capital requirements. Similar to the asset base of the segment, the depreciation of the LKR against the US Dollar impacted the quantum of the liability recognised in the Statement of Financial Position.
- The increase in debt in the Sri Lankan Resorts segment was on account of increased borrowings at 'Cinnamon Bentota Beach'.

Natural Capital

As a sought-after tourist destination in the region, Sri Lanka has leveraged heavily on its rich biodiversity, natural resources and immersive cultural experiences. As such, the industry group strives to operate with minimal impact to the environment in accordance with Group policy and the 'Cinnamon' sustainability strategy. This ensures the responsible management of the entire value creation process in order to assure sustainable value creation to all stakeholders.

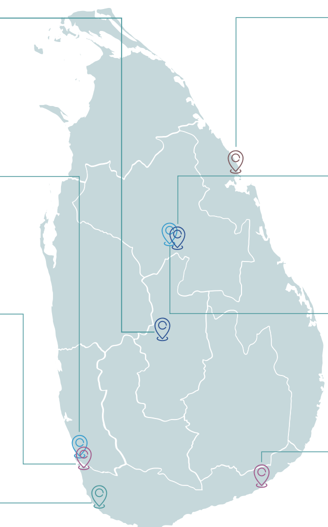
Material topics identified under Natural Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial implications, stakeholder expectations of sustainable tourism practices, regulatory requirements, brand image and reputation	12 Responsible consumption and production; 13 Climate action
Water and effluent management	Financial, regulatory and brand reputation implications	
Waste management	Regulatory and brand reputation implications	
Biodiversity	Regulatory and brand reputation implications	15 Life on land

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Reduction of carbon footprint through continuous monitoring, energy efficient equipment and practices. ▪ Utilisation of renewable energy sources to reduce the carbon footprint. ▪ Replacement/upgrade of equipment with energy efficient alternatives. ▪ Alignment with international benchmarks. ▪ Ensure emissions are within the tolerance levels stipulated by the Environmental Protection License (EPL).	▪ Continued installation of energy efficient LED lighting resulted in energy savings of ~55,000 kWh. ▪ Replacements made to air conditioner units, from standard to inverter type, resulted in energy savings of ~21,500 kWh. ▪ Walkers Tours Limited: ◆ Invested in a foreign renewable energy project to offset its carbon footprint by 2,000 tons of carbon equivalent. ◆ Certified as a carbon neutral fleet by Carbon Neutral UK. ◆ Increased hybrid vehicles in its fleet to reduce carbon emissions. ▪ 'Cinnamon Grand Colombo' installed a temperature controlled variable speed drive (VSD) system and damper control system for its kitchen exhaust canopy, resulting in annualised energy savings of 54,750 kWh. ▪ 'Cinnamon Lakeside Colombo' carried out energy optimisation initiatives resulting in savings of ~97,000 kWh. ▪ 'Cinnamon Dhonveli Maldives' generated 115,470 kWh of renewable energy through the solar photovoltaic systems, reducing the use of ~34,000 litres of diesel. ▪ 'Cinnamon Bentota Beach' installed a 300kW capacity solar project with an annual generation capacity of 360,000 kWh of renewable energy. ▪ All Group hotels continue to maintain ISO 14001 Environmental Management System certification.
Water and Effluent Management	
▪ Reduction of the amount of water withdrawn. ▪ Alignment with international benchmarks. ▪ Ensure all effluents meet the requisite water quality standards. ▪ Establish an onsite effluent treatment plant for all hotels that are unable to discharge effluent into common municipal sewerage lines.	▪ 'Cinnamon Lodge Habarana' installed sand filters, a pressure pump and a chlorination system to further improve the quality of wastewater, enabling the treated water to be reused, resulting in an annualised saving of 200,000 m^3 of fresh water. ▪ 'Ellaidhoo Maldives by Cinnamon' implemented a rainwater harvesting system in the newly constructed staff building with the aim of reducing water withdrawn.

Targets	Initiatives During the Year
Waste Management	
▪ Strive to achieve zero waste to landfill status as a long-term goal through comprehensive waste management strategies.	▪ 'Cinnamon Dhonveli Maldives' replaced plastic laundry bags with handmade paper bags, thereby reducing the amount of plastic waste disposed. ▪ Walkers Tours Limited, in collaboration with 'Plasticcycle', placed plastic collection bins at Southern Expressway exits, collecting 2 MT for recycling. ▪ As an initiative to create awareness and reduce the volume of food waste generated 'Cinnamon Lakeside Colombo' initiated a monthly 'No Bin Day' for all employees. ▪ Aimed at reducing single-use plastic consumption by 50 per cent, a pilot project was conducted at selected resorts where plastic items were substituted with alternative items e.g. glass water bottles, paper straws, wooden stirrers. ◆ This will be implemented across the remaining resorts in 2020/21.
Biodiversity Conservation and Promotion	
▪ Ensure long-term value creation, given close proximity of resorts to biologically diverse areas. ▪ Regular impact assessments to ascertain any impacts on biodiversity and the environment, resulting from operations.  *'Coral Propagating Project' initiated by 'Cinnamon Dhonveli Maldives'*	▪ Continued the 'Cinnamon Elephant Project': ◆ A sustained research initiative on elephant behavioural and dispersion patterns in the North Central Province conducted in collaboration with John Keells Foundation (JKF) and the Centre for Conservation and Research seeking to improve the management of elephant habitats and reduce human-elephant conflict for long-term conservation of the species and its habitat. ◆ 52 field visits were made to both Kaudulla and Minneriya to observe two matriarch elephants of different herds fitted with GPS satellite collars. ◆ Data gathered over 2018/19 was presented to staff and selected park jeep drivers to foster knowledge sharing. ▪ 'Habarana Village by Cinnamon' planted 500 jackfruit plants. ▪ 'Cinnamon Dhonveli Maldives' launched a 'Coral Propagating Project' at Dhonveli lagoon with the objective of transplanting threatened reefs and preserving ocean biodiversity through awareness on conservation. ▪ 'Cinnamon Velifushi Maldives', 'Cinnamon Bey Beruwala', 'Cinnamon Wild Yala' and 'Trinco Blu by Cinnamon' organised a beach clean-up campaign and a tree planting project with the participation of guests and employees.

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

Cinnamon Dhonveli Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.1496

Velana International Airport

Ellaidhoo Maldives by Cinnamon
- Marine ecosystem, adjacent to property
- Extent of Site (km²) – 0.0556

Cinnamon Velifushi Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) - 0.05351

Cinnamon Hakuraa Huraa Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km²) – 0.0543

Note: All properties have obtained EPLs.
Subsurface land at site (km²) -Nil.
Protected through The Environmental Protection and Preservation Act.

"Given the close proximity of resorts to biologically diverse areas, regular impact assessments are conducted to ascertain any impacts on biodiversity and the environment, resulting from operations."

CARBON FOOTPRINT

City Hotels : 15,170 MT

Resorts

Sri Lankan : 10,915 MT

Maldivian : 4,887 MT

Destination Management : 301 MT

Hotel Management : 237 MT

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	31,510	35,382	(11)
Water withdrawn (m³)	847,926	953,995	(11)
Waste disposed (kg)	2,656,501	3,264,901	(19)

Carbon footprint scope 1 and 2 per operational intensity factor

	2019/20	2018/19	%
Sri Lankan Resorts segment CO_2 kg per guest night	25.3	22.1	14
Maldivian Resorts segment CO_2 kg per guest night	43.4	36.7	18
City Hotels sector CO_2 kg per guest night	64.0	47.2	36
Destination Management sector CO_2 kg per client serviced	7.5	6.9	9

Water withdrawal per operational intensity factor

Litres of water withdrawn per guest night	2019/20	2018/19	%
Sri Lankan Resorts	942.1	827.6	14
Maldivian Resorts	967.8	708.9	37
City Hotels	1,356.2	1,076.9	26

Waste generated per operational intensity factor

Kilograms of waste generated per guest night	2019/20	2018/19	%
Sri Lankan Resorts	2.0	1.9	5
Maldivian Resorts	5.7	4.2	36
City Hotels	4.7	4.3	9

Note: Per Operational Intensity Factor Indicators for the Sri Lankan Resorts segment and the City Hotels sector depict increases, as guest nights during the year were impacted by the Easter Sunday terror attacks and the outbreak of the COVID-19 pandemic that had a subsequent impact on the tourism industry, whilst the Maldivian Resorts segment was primarily affected by refurbishments during the year under review.

The above performance excludes that of 'Cinnamon Bentota Beach' and 'Cinnamon Velifushi Maldives'. These entities will be included in the sustainability scope from 2020/21 onwards.

Solar panels generating renewable energy at 'Ellaidhoo Maldives by Cinnamon'

Human Capital

As a service-based industry group, the management of Human Capital is of paramount importance in delivering an unparalleled customer experience envisaged by the 'Cinnamon' brand. To this end, continuous investments are made in its workforce to build a professionally trained, productive and experienced staff cadre.

The terror attacks across the country on Easter Sunday, 21 April 2019, resulted in the loss of many lives, including staff members and guests at 'Cinnamon Grand Colombo'. Necessary resources and support were provided to staff in coping with the aftermath, while measures were also taken to enhance security at all the Group's business locations, particularly the hotel properties. These measures continue to be in effect to-date.

The material topics identified relating to Human Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Health and safety	The businesses within the sector to ensure safe working conditions	
Talent management	Retaining talent and upgrading skills of existing staff towards delivering superior customer service and quality	

Targets | **Initiatives During the Year**

Talent Management

Targets

- Maintenance of 'Cinnamon' brand standards by providing stipulated number of training hours and on-going training, to develop the skills of the workforce.
- Talent retention.

Initiatives During the Year

- All resorts continued to offer classroom and on-the-job training to all employees in order to improve skills, productivity, service quality and value.
- Food handlers at all resorts were provided comprehensive training on food safety and hygiene to ensure quality standards are met.

IMPACT

Youth Empowerment Programme

'Cinnamon Hotels & Resorts', in collaboration with JKF, continued this initiative aimed at enhancing the employability of youth resident in areas surrounding 'Cinnamon' properties, by equipping them with skills and practical exposure required to secure career opportunities in hospitality and related industries.

- **197** youth from across the country benefited from English language and IT scholarships.
- **413** youth benefited from structured internships.
- **310** individuals benefited from Open Day programmes.

- Walkers Tours Limited conducted a 'Balance for Better' programme for 95 employees to commemorate International Women's Day aimed at promoting gender empowerment and equality.

Health and Safety

Targets

- Minimal occupational health and safety incidents.
- Safe working conditions and practices.

Initiatives During the Year

- All Group hotels continued to maintain OHSAS 18001, an occupational health and safety standards certification, in addition to maintaining ISO 22000 certification for food safety.
- Regular first aid, fire awareness and emergency evacuation trainings.
- Security checks and awareness sessions conducted to ensure employee and guest health and safety.
- First aid training was provided for 95 safari jeep drivers in Yala, Udawalawa, Wilpattu and Habarana.
- Staff training on hazardous waste management.

COVID-19 RESPONSE

All Group hotels implemented necessary safety measures during the COVID-19 outbreak, including:

- Working in accordance with the respective business continuity plans (BCPs).
- Daily temperature checks.
- Provision of hand sanitisers, face masks and gloves for staff.
- Regular disinfection of the premises.
- Maintenance of an isolation room for suspected cases.

NUMBER OF EMPLOYEES

City Hotels : 1,786

Resorts

Sri Lankan : 1,851

Maldivian : 511

Destination Management : 219

Hotel Management : 175

Indicators

	2019/20	2018/19	%
Injuries (number)	47	53	(11)
Training (hours)	347,916	246,593	41
Training per employee (hours)	76.6	55.6	38

A total of 47 occupational health and safety incidents were recorded this year, with 5 employees at 'Cinnamon Grand Colombo' losing their lives as a result of the terror attacks.

TRAINING

347,916 hours

2018/19: 246,593 hours

41%

Social and Relationship Capital

The Leisure industry group engages with all stakeholders within its operational communities and value chain to build relationships and foster trust to ensure a sustainable business model. Collaborations with key stakeholders within the communities in which it operates help improve the well-being of its entire value chain, particularly the community.

The Leisure industry group supports such development through the dissemination of knowledge and best practice to strengthen the supply chain and operations. Further, a significant amount of produce is sourced from local communities, thereby fostering entrepreneurship and development of local markets and economies.

The significant suppliers within the industry group are illustrated below:

SIGNIFICANT SUPPLIERS - HOTELS AND RESORTS

Amenities	Food and beverage suppliers	Travel agents and travel websites	Casual employees

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

COVID-19 RESPONSE

At the inception of the outbreak of COVID-19 in Sri Lanka, the Group extended its fullest support to the Government at the time of national need and offered 'Trinco Blu by Cinnamon' as a quarantine centre to the Government, in the event the need arises.

"The Leisure industry group engages with all stakeholders within its operational communities and value chain to build relationships and foster trust to ensure a sustainable business model."

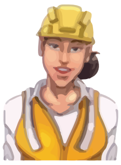
The material topics under Social and Relationship Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Supply chain sustainability	Assessing and educating significant suppliers to ensure mitigation of negative impacts with respect to environment, labour and human rights aspects	4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES
Community development	Community engagement and collaborative operations within the community to create and maintain good relations	10 REDUCED INEQUALITIES

Targets	Initiatives During the Year
Supply Chain Sustainability	
▪ Engagement with significant supply chain partners to encourage environmentally friendly and socially responsible activities.	▪ Supplier awareness sessions were carried out for 105 Sri Lankan and 12 Maldivian suppliers, educating them on the required standards in terms of quality, environment protection and health and safety.
▪ Stimulate local economies by sourcing local produce and other outsourced services.	▪ Supplier audits covering key suppliers of all City and Resort hotels and the central purchasing office (CPO).
▪ Engagement with community to reduce inequalities and enhance knowledge.	▪ 'Cinnamon Hotels & Resorts', in collaboration with JKF, continued their flagship CSR - 'Cinnamon Youth Empowerment Programme'. Please refer details on page 95 ▪ 'Cinnamon Lakeside Colombo' conducted a programme for 145 youth from various institutions designed to enhance knowledge about the industry and its practical aspects. ▪ A bee-keeping programme was conducted to develop livelihoods of the local community at 'Cinnamon Lodge Habarana'. ▪ 'Cinnamon Lodge Habarana' donated basic amenities to 400 individuals in the Anuradhapura prison. ▪ 'Cinnamon Lodge Habarana' donated baby care amenities to 50 mothers. ▪ 'Cinnamon Lakeside Colombo' in collaboration with JKF successfully carried out a special programme to create awareness on Gender Based Violence and Child Protection under 'Project WAVE' (Working Against Violence through Education) for all its associates. ▪ 'Cinnamon Dhonveli Maldives' carried out an awareness programme to combat the spread of HIV and AIDS for the benefit of 200 in-house guests and hotel staff. ▪ 'Cinnamon red Colombo' and 'Trinco Blu by Cinnamon' carried out donations to various Non-Profit Organisations with the goal of reducing inequality and supporting communities. ▪ 'Habarana Village by Cinnamon' hosted a blood donation initiative with a total of 65 donors.

Participants of the 'Cinnamon Youth Empowerment Programme'

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: 'Cinnamon Life' integrated development, 'Tri-Zen', a development based on smart living in the heart of the city.
  - Previous: 'OnThree20', '7th Sense', 'Monarch', 'Emperor'.
- Operation of the 18-hole champion golf course and management of the land bank in Rajawella, Kandy.

Real Estate

- Rental of commercial office space.
- Management of the Group's real estate within the city.
- Operation and ownership of the 'Crescat Boulevard' mall and 'K-Zone' malls in Moratuwa and Ja-Ela.

Contribution to JKH Group

1%	Revenue
3%	EBIT
40%	Capital Employed
1%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	160,324	113,452	41	93,183
Total equity	95,515	81,779	17	68,780
Total debt	41,954	17,498	140	14,585
Capital employed[1]	137,469	99,277	38	83,365
Employees	278	281	(1)	258

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover[2]	1,395	711	96	1,231
EBIT	492	228	116	1,303
PBT	462	191	143	1,270
PAT	326	89	265	1,051
EBIT per employee	2	1	119	5
Carbon footprint	814	505	61	803

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

1. *For equity accounted investees the capital employed is representative of the Group's equity investment in these companies.*
2. *Revenue is inclusive of the Group's share of equity accounted investees.*

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- The construction sector accounted for 6.9 per cent of Sri Lanka's GDP in 2019 [CY2018: 6.8 per cent]. Notwithstanding the short-term impacts to the industry on account of the COVID-19 pandemic, the contribution of this sector is expected to increase in the medium-term on the back of significant investments by both the private and public sectors.
- Key fiscal stimulus measures by the Government of Sri Lanka (GoSL) positively impacting cost structures and condominium sales:
  - Removal of Nation Building Tax (NBT).
  - Reduction in Value Added Tax (VAT) to zero per cent.
  - Income tax reduction to 24 per cent.
- Land Price Index for Colombo District, compiled by the Central Bank of Sri Lanka (CBSL), reached 138.9 in the second half of CY2019, an increase of 10.4 per cent [CY2018 2H: 125.8]. The Residential, Commercial and Industrial sub-indices contributed to this increase.

Connectivity

- The extension of the Southern Expressway to Hambantota was completed during the year under review.
- Key Government investments in the pipeline aimed at facilitating connectivity and driving urbanisation:
  - Phase 1 of the Central Expressway project implemented in four stages; (1) Kadawatha to Mirigama, (2) Mirigama to Kurunegala, (3) Pothuhera to Galagedara and (4) Kurunegala to Dambulla. Phase 2 is expected to extend the expressway to the Northern and Eastern areas of the country.
  - Ruwanpura Expressway from Kahathuduwa to Ratnapura.
  - Construction of the Light Rail Transit (LRT) system, which is currently under review.
  - Port Access Elevated Highway linking the Katunayake Expressway to the Central Business District (CBD), including the multi-lane new Kelani Bridge.
  - Construction of a second passenger terminal at Bandaranaike International Airport.

Port City Colombo (PCC) Developments

- PCC, upon completion, is expected to have significant spill-over effects to the economy through the attraction of foreign direct investment and expatriate professionals, whilst spurring growth in the city and its vicinity.
- The development, encompassing over 5.7 million square meters of built space, is expected to comprise of 5 precincts; the Financial District, Central Park Living, Island Living, Marina and International Island.
- PCC will function as a separate jurisdiction, with separate economic and commercial laws to facilitate operations of global multinational corporations.

Operational Performance

Although the overall prospects for the construction and property sectors remain promising, the Property industry group witnessed a challenging year on the back of a slowdown in market absorption due to subdued consumer confidence following the Easter Sunday attacks in April 2019, and uncertainty in the period preceding the Presidential Election in November 2019. However, there were indications of a recovery post the conclusion of the Presidential Election, towards the latter end of the calendar year, with a gradual increase in pre-sales.

Other factors which contributed towards the lacklustre performance of the industry are:

- Rising construction costs and land prices.
- Lack of skilled labour.
- Layered tax and tariff systems for construction material.
- Uncertainty surrounding tax proposals introduced during the year leading to buyers adopting a 'wait and see' approach.
- Exchange rate volatility, given the high dependency on imported construction material and foreign labour.
- High interest rate environment witnessed in the first half of the financial year, impacting mortgage financing, where at present the penetration of mortgages in Sri Lanka remains very low.

However, the industry was positively impacted by the reduction of VAT on input materials, removal of NBT, and the exemption of VAT on condominiums in the latter half of the year. These factors also aided the afore-discussed recovery in sales momentum and activity, particularly in the mid-tier segment. However, recovery was impacted by the COVID-19 pandemic in March 2020 given its adverse effects on global economic conditions and investor confidence. Although the Group remains confident that the fundamental demand conditions for housing remain unchanged despite the impacts on absorption from external shocks during the year, business in particular will need to assess and understand the possible lasting shifts in real estate demand given the significant short-term shift to remote working arrangements and what type of lasting effects this could have on various market segments.

Refer Outlook for further details - page 123

Market Demand-Supply Dynamics

The Group witnessed sustained demand for housing in the 'Metropolitan' and 'Suburban' categories in 2019/20 despite the challenging external environment, driven by an expanding middle class, increasing GDP per capita, urban migration and increased commercial activity within Colombo, particularly towards the latter end of the year. During the year under review, there were no additions in the higher end of the 'Luxe' category and the existing supply continued to be absorbed gradually.

On the Commercial Real Estate front, the Group witnessed continued demand for mid-priced office space in Colombo. At present, there is an under supply in the market, given that a majority of mid-range office space consist of converted houses. These are inadequate in fulfilling the current demand, given the absence of proper infrastructure and management facilities in comparison to modern workspaces. It is pertinent to note that additions were made to the Commercial Real Estate segment during the year under review with the entry of the integrated development 'One Galle Face' comprising of premier retail, entertainment and dining experiences; an extension of Shangri-La Colombo and its residential and commercial offering.

Demand dynamics and the potential for the segments are discussed in detailed under the Outlook section - page 123

" 'Tri-Zen' recorded encouraging sales, albeit dampened market conditions, with 262 apartments sold as at 31 March 2020, outperforming the market in the year under review."

Tri-Zen

Capitalising on the growing demand for affordable, smart and efficient living solutions, 'Tri-Zen', which is positioned within the 'Metropolitan Spaces' segment of John Keells Properties, provides convenient and smart living in the heart of Colombo. This 891-residential apartment project located in Union Place, developed as a joint venture with Indra Traders (Private) Limited, leverages on smart design principles, space efficiency, comfort living and innovative technology. The Rupee pricing model, which mitigates the risk of exchange rate volatility, further augmented by an attractive pricing structure, provides buyers the opportunity to purchase housing in the heart of the City, with easy access to entertainment, essential services and other commercial activities.

'Tri-Zen' recorded encouraging sales, albeit dampened market conditions, with 262 apartments sold as at 31 March 2020, outperforming the market in the year under review [2018/19: 200 apartments]. Further, a significant portion of current buyers are first-time customers to John Keells Properties as well as first-time home buyers, which is a realisation of the industry group's strategy of reaching new market segments with the launch of the 'Metropolitan Spaces' segment.

Piling of the project was completed during the year, ahead of plan, with the project slated for completion in the first half of CY2023. The industry group commenced the recognition of revenue emanating from the sale of apartments from the second quarter of the year under review. This is expected to ramp up over the next few quarters as the project progresses.

Cinnamon Life

The construction progress of the 'Cinnamon Life' project during the year was encouraging. The topping off of construction in all six buildings of the project and the structural work was completed by May 2019. Finishing work including the installation of the mechanical and electrical services and the external façades are currently underway. The residential and office towers are nearing completion, although affected by the closure of the construction site for close to 2 months due to the COVID-19 pandemic. The site is now gradually commencing work as permitted under the relevant Government directives. The business continues to work closely with the contractor to understand the impact on the overall project to manage resources and deliverables.

Pre-sales of the Residential Towers; 'The Suites at Cinnamon Life' and 'The Residences at Cinnamon Life' are currently at 65 per cent of the total area available for sale. Apartment sales during the year were adversely impacted following the Easter Sunday terror attacks and uncertainty surrounding the Presidential Election in November 2019, in line with the overall market. The impacts were more pronounced in the luxury segment. A gradual recovery of consumer sentiment coupled with a fast-approaching completion in the near future, is expected to improve sales momentum.

Total revenue from the sale of residential apartments and 10 floors of the commercial office space of 'Cinnamon Life', estimated at ~USD 250 Million, will be recognised post the handover of the sold units.

Ongoing construction at 'Cinnamon Life'

Golf course at Victoria Golf and Country Resort, Rajawella

Vauxhall Land Developments Limited

The master plan and development strategy for the contiguous 9.38-acre property, one of the largest privately held land banks in central Colombo, was substantially developed during the year. The Group aims to develop this primarily for metropolitan housing, complemented by other supporting commercial uses. The Group will follow a wait-and-see approach and launch the project based on market demand and supply dynamics.

Rajawella Holdings Limited (RHL)

The refurbishment of the golf course is progressing and will be relaunched under the management of Troon International: the largest golf course operator in the world, with over 2.5 million members world-wide. This partnership is expected to improve the visibility of the course to players across the globe and position it as a championship golf course in the region.

Arrangements were made during the year under review to launch RHL's first real estate products which would include townhouse and villa developments, in tandem with the launch of the golf course. Increased connectivity following the completion of the Colombo-Kandy Expressway is expected to augur well for RHL.

Mall Operations

Mall operations were impacted by reduced footfall as a result of the Easter Sunday attacks in April 2019 and intensified competition in the retail mall space. Given the current market landscape, a repurposing and repositioning of the 'Crescat' mall is being planned.

Key Indicators - Mall Operations	Occupancy (%)	
	2019/20	2018/19
Crescat	85	97
K-Zone Ja-Ela	87	91
K-Zone Moratuwa	98	85

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

Revenue (Rs.million)	2019/20	2018/19	%
Property Development	916	137	567
Real Estate	479	574	(17)
Total	1,395	711	96

- Revenue growth was driven by the Property Development sector, given the commencement of revenue recognition for the 'Tri-Zen' project from the second quarter of 2019/20 onwards. Total revenue recognised from 'Tri-Zen' during the year under review was Rs.806 million.
- The decline in revenue in the Real Estate sector is primarily attributable to lower occupancies, as well as reduced rental rates at 'K-Zone Ja-Ela' and 'Crescat' properties, due to the Easter Sunday terror attacks and the COVID-19 pandemic.
- It should be noted that the revenue from the 'Cinnamon Life' project will only be recognised post the handover of the residential and office units.

EBITDA (Rs.million)	2019/20	2018/19*	%
Property Development	312	(53)	691
Real Estate	256	376	(32)
Total	568	323	76

** Adjusted to reflect impacts from SLFRS 16 - Leases, for comparison purposes.*

INDUSTRY GROUP REVIEW

PROPERTY

- The EBITDA discussion that follows is inclusive of fair value gains/losses on investment property (IP). The Group is of the view that fair value gains/ losses on IP are integral to the industry group's core operations, given the land banking strategy of the Property industry group and the view of monetising such land through development and sales.
- The increase in EBITDA for the industry group is mainly attributable to the Property Development sector driven by the revenue recognition of 'Tri-Zen' sales and a fair value gain on IP of Rs.334 million at 'Vauxhall Land Developments Limited'.
- The decrease in EBITDA in the Real Estate sector is due to the aforementioned impact on select mall operations. Given increased competition in the commercial real estate market, 'Crescat' recorded a fair value loss on IP of Rs.9 million.

PBT (Rs.million)	2019/20	2018/19*	%
Property Development	257	(101)	353
Real Estate	205	292	(30)
Total	462	191	143

** Adjusted to reflect impacts from SLFRS 16 - Leases, for comparison purposes.*

- In addition to the factors impacting EBITDA, PBT was marginally impacted by finance costs incurred across its businesses.
- While 'Cinnamon Life' is consolidated under the Property industry group, it is pertinent to note that all project-related costs, including finance expenses incurred under the syndicated project development facility, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), unless explicitly mentioned. During the year under review, debt at 'Cinnamon Life' increased by Rs.24.18 billion to Rs.41.25 billion.

Assets (Rs.million)	2019/20	2018/19	%
Property Development	151,156	104,831	44
Real Estate	9,168	8,621	6
Total	160,324	113,452	41

- The increase in assets of the industry group is primarily driven by the Property Development sector, particularly pertaining to project-related costs of the 'Cinnamon Life' project which are captured under other non-current assets as work-in-progress costs. Given that the Residential and Office towers are nearing completion, the costs pertaining to these have been moved from other non-current assets to current assets under inventory as at 31 March 2020.
- The Real Estate sector recorded a marginal increase in total assets, primarily stemming from 'Crescat' which recorded a revaluation gain on property, plant and equipment of Rs.111 million and an increase in cash and cash equivalents.

Natural Capital

The Property industry group places significant emphasis on minimising impacts of its activities on natural resources. Conscious efforts are made towards reducing its energy and water usage, while ensuring the discharge of effluents and waste is carried out in line with Group policies and industry best practice.

The material topics identified under Natural Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial implications and environmental responsibility	12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION
Waste and effluent management	Implications on brand image and the environment, compliance with Government regulations, industry regulations, prerequisites of lending agencies	

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Reduction of energy consumption.	▪ Continued replacement of existing fluorescent lamps with LED lighting. ◆ Annual savings of ~13,200 kWh.
Waste Management and Effluent Discharge	
▪ Reduce solid waste below Environmental Protection License (EPL) limits. ▪ Reuse waste water.	▪ Rainwater harvesting and use of grey water for irrigation at 'K-Zone Ja-Ela' as an initiative to conserve water. ▪ Whittall Boustead (Pvt) Limited (WBL) continued the use of its drip irrigation system that uses condensed water from air conditioners for irrigation of landscape maintained at WBL office premises. ▪ Recycled ~10,500 kg of paper waste. ▪ Disposal of plastic and e-waste through contracted third-party recyclers at all locations. ▪ Organic waste at 'K-Zone Ja-Ela' and WBL were composted on site. ▪ Disposal of food waste by way of animal feed supplied to local farmers at 'K-Zone Ja-Ela'. ▪ Segregation of waste into colour-coded bins at cafeterias and garbage collection points continued. ▪ Continued operation of the biogas plant at RHL which generates renewable energy from organic waste.

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	814	505	61
Waste disposed (kg)	82,361	108,984	(24)

"Reuse of water through drip irrigation system that uses condensed water from air conditioners for irrigation of landscape maintained."

Human Capital

Given the labour intensive nature of the industry group, the shortage of skilled and unskilled personnel remains a key constraint. Significant emphasis is placed on training of employees and creating a safe working environment in order to attract and retain this vital stakeholder, given the nature of activities, particularly health and safety implications.

Material Topic	Relevance/Implication	Alignment with SDGs
Occupational health and safety	Monitoring occupational health and safety incidents and practices in the supply chain, while continuously assessing risks stemming from its business model of utilising third party construction contractors	8 DECENT WORK AND ECONOMIC GROWTH; 3 GOOD HEALTH AND WELL-BEING
	Implications on brand image	

Targets	Initiatives During the Year
Occupational Health and Safety	
▪ Uphold health and safety standards across the value chain. ▪ Maintain OHSAS 18001:2007 certification at all malls.	▪ Employee training on first aid, fire safety, food hygiene and basic health and safety to uplift service quality. ▪ All malls continued to maintain OHSAS 18001:2007 certification. ▪ Relevant surveillance and internal audits were conducted for maintenance, housekeeping and security. ▪ Regular food sample tests were conducted at all malls to ensure adherence to food hygiene standards. ▪ Mosquito control treatments were conducted as a Dengue preventative and to ensure a safe working environment.

COVID-19 RESPONSE

Measures were taken to safeguard against the spread of COVID-19, including:

- Awareness programmes for staff on safety measures against COVID-19.
- Provision of hand sanitisers, soap, face masks and gloves for staff, particularly in high exposure areas and functions.
- Improved hygiene training to janitorial staff and application of microbial aerial disinfection in office areas.
- Staff in job roles which did not require physical presence in offices were encouraged to work from home.
- Mandatory quarantine was enforced to any new workers arriving from overseas for 14 days before entry to construction sites or worker residential sites.

"Significant emphasis is placed on the training of employees and creating a safe working environment."

A fire safety training conducted at 'Cinnamon Life'

Indicators

The table below excludes the safety incidents reported by its construction contractors. The industry group continues to engage with its contractors to minimise such instances.

	2019/20	2018/19	%
Injuries (number)	0	1	(100)
Training (hours)	2,080	918	127

Social and Relationship Capital

The industry group continues to differentiate itself from a highly competitive market, while maintaining its position as a leading service provider, and its reputation as a responsible corporate citizen, by leveraging on its many relationships with diverse stakeholders.

The significant suppliers within the industry group are illustrated below:

SIGNIFICANT SUPPLIERS - PROPERTY DEVELOPMENT

- Construction contractors
- Architects and interior designers

SIGNIFICANT SUPPLIERS - RHL

- Amenities
- Food and beverage suppliers
- Travel agents and travel websites
- Casual employees

All significant suppliers have been assessed for significant negative impacts on environmental, labour and human rights aspects.

The material topics identified under Social and Relationship Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Supplier development and social responsibility	Entrench sustainability in the supply chain through supplier engagement and assessment (for both existing and new operations) thereby reducing operational and reputational risks to the business	8 DECENT WORK AND ECONOMIC GROWTH

Targets	Initiatives During the Year
Supplier Development and Social Responsibility	
▪ Conduct environmental and social impact assessments prior to the commencement of new projects. ▪ Uphold health and safety standards within the value chain, minimising adverse impact on all stakeholders. ▪ Engagement with community to reduce inequalities, and enhance knowledge and community well-being.	▪ 14,846 training sessions, including on-the-spot, special and refresher trainings, 'tool box talks', chemical handling, stores management, firefighting, emergency evacuation and Control of Substances Hazardous to Health Regulations (COSHH) were completed for workers at 'Cinnamon Life'. These also covered all necessary areas of health and safety. ▪ All companies reviewed and tested their business continuity plans on a regular basis to ensure risk management and adaptability. ▪ All suppliers continued to sign-off on a mandatory sustainability checklist, where the industry group maintains stringent criteria for pre-qualification of suppliers and contractors. ▪ The industry group, in collaboration with John Keells Foundation (JKF), renewed its 16-year public-private partnership with Sri Lanka Railways for refurbishing and maintaining the historic Kompanna Vidiya railway station for the benefit of the large number of commuters who travel to and from the city. ▪ Rajawella Holdings Limited, in collaboration with JKF, continued its development initiatives in Nithulemada, the village adjoining the Victoria Golf and Country Resort. ◆ 21 English and IT scholarships were awarded to deserving school children under JKF's English Language Scholarship Programme. ◆ Assessments were undertaken with regard to access to water and pre-school development in Nithulemada and related plans will be reviewed in the ensuing financial year.

- A new Community Centre at De Mel Park in Colombo 2 was constructed in collaboration with JKF and the Colombo Municipal Council as part of John Keells 'Praja Shakthi'.
- The multidisciplinary centre, which was completed and vested in the public during the year, includes a pre-school- cum-crèche to support young working parents, a training room, and a reading and reference room.

IMPACT

John Keells Group Investment : Rs.10,500,000

Community benefited : 17,495 population of Slave Island, Wekanda and Hunupitiya GN Divisions.

"All suppliers continued to sign-off on a mandatory sustainability checklist, where the industry group maintains stringent criteria for pre-qualification of suppliers and contractors."

The new Community Centre at De Mel Park, Colombo 2

FINANCIAL SERVICES

Industry Group Structure

Insurance

- Comprehensive life insurance solutions through Union Assurance (UA).
- General insurance solutions through Fairfirst Insurance Limited (FIL).

Banking

- Complete banking solutions through Nations Trust Bank (NTB):
  - Network of branches for corporate, retail and SME clients.
  - Sole acquirer of the flagship centurion product range of American Express cards in Sri Lanka.
  - Largest issuer of credit cards in the country.

Stockbroking

- John Keells Stock Brokers (JKSB) is one of the leading stockbroking companies in Sri Lanka:
  - Number of trade execution relationships with leading foreign securities houses.

Contribution to JKH Group

12%	Revenue
18%	EBIT
6%	Capital Employed
1%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	60,058	53,630	12	48,339
Total equity	18,376	17,244	7	15,870
Total debt	596	409	46	253
Capital employed[1]	18,972	17,653	7	16,123
Employees[2]	877	797	10	827

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover[3]	19,675	18,931	4	17,221
EBIT	2,755	3,021	(9)	8,580
PBT	2,755	2,966	(7)	8,579
PAT	2,222	4,007	(45)	8,569
EBIT per employee	3	4	(17)	10
Carbon footprint	1,388	1,383	0	1,417

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

1. *For equity accounted investees, capital employed is representative of the Group's equity investment in these companies.*
2. *As per the sustainability reporting boundary.*
3. *Revenue is inclusive of the Group's share of equity accounted investees.*

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

- Sri Lanka's financial services industry recorded a 2 per cent growth in CY2019 [CY2018: 13 per cent]. The industry contributed 8 per cent to GDP during the year [CY2018: 8 per cent].
- The Central Bank of Sri Lanka (CBSL) adopted an accommodative monetary policy stance during the year, amidst concerns of low economic growth, decelerating private credit growth and subdued inflation on the back of global pressures, muted sentiments following the Easter Sunday terror attacks and political uncertainty. To this end, both the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) were reduced by 50 basis points (bps) each in May 2019, August 2019 and January 2020.
    - Following the imposition of an island-wide curfew in Sri Lanka in response to the global spread of COVID-19, the SDFR and SLFR were further reduced by 25 bps each in March 2020 and April 2020, and 50 bps in May 2020, while the Statutory Reserve Requirement (SRR) was reduced from 5 per cent to 4 per cent in March 2020, in order to complement measures taken by the Government to ease market conditions and enable domestic financial markets to provide further relief to businesses and individuals affected by the outbreak of the COVID-19 pandemic. Additionally, effective 16 April 2020, the Bank Rate, which is an administratively determined rate that could be used in periods of emergency, was reduced by 500 basis points to 10 per cent.
- CBSL also imposed a temporary interest rate cap on deposit and lending products of financial institutions in April and September 2019, respectively.
- Other extraordinary regulatory measures imposed by CBSL to facilitate banks to support COVID-19 affected businesses and individuals, to ease pressure on the exchange rate and retain stability in the financial markets include:
    - Introduction of a debt moratorium (capital and interest) and a working capital loan for COVID-19 hit businesses and individuals.
    - Extension of loan settlement by 60 days for past dues.
    - Suspension of import of select motor vehicles and non-essential goods, under letters of credit.
    - Suspension of the purchase of Sri Lanka International Sovereign Bonds by banks.
    - Permit banks to drawdown 50-100 bps of the capital conservation buffers.
    - Amendments to non-performing loans classification criteria, extension of timelines to address supervisory concerns and enable banks to recover foreign currency loans in LKR.
    - Permit banks to consider all changes to payment terms and loan contracts, as a result of COVID-19, as 'modifications' instead of 'restructuring' for the purpose of classifying loans and advances and computing impairment.
    - Deferment of the requirement to enhance capital from end-2020 until end-2022.
- The insurance industry continued its growth momentum, recording 8.4 per cent growth in gross written premiums (GWP) in CY2019, generating Rs.196.8 billion.
- The life insurance industry recorded a 11.0 per cent growth in GWP to Rs.88.77 billion in CY2019 against the 12.7 per cent recorded in CY2018.
- Life insurance penetration at 1.26 per cent in CY2018 continues to compare significantly lower than regional peers. To this end, penetration of long-term life insurance business stood at 0.56 per cent [CY2017: 0.53 per cent) while general insurance business remained flat at 0.70 per cent in CY2018.
- Private sector credit growth slowed considerably to 4.5 per cent in CY2019 [CY2018: 16 per cent] on the back of cash flow stresses and declining business confidence for the most part of the calendar year 2019.
- Industry gross non-performing loans (NPL) rose to 4.7 per cent in CY2019 as a result of weak economic conditions [CY2018: 3.4 per cent].
- Net foreign outflows amounted to Rs.11.7 billion during CY2019 on account of dampened investor sentiment following the Easter Sunday terror attacks and uncertainty surrounding the Presidential Election. Net foreign outflows for the fourth quarter of 2019/20 stood at Rs.5.4 billion, in response to the COVID-19 pandemic. The All Share Price Index (ASPI) ended CY2019 with a gain of 1.27 per cent [CY2018: negative 5 per cent] whilst the Standard and Poor's Sri Lanka 20 (S&PSL20) index recorded a decline of 6.3 per cent in CY2019 [CY2018: negative 15 per cent].
    - Driven by the uncertainty surrounding the COVID-19 pandemic, the ASPI and S&PSL20 indices declined by 25 per cent and 34 per cent in the fourth quarter of 2019/20, respectively, until the closure of the CSE on 20 March 2020 until 11 May 2020. To this end, it is noted that market-wide circuit-breakers that attempt to prevent panic-trading, were triggered three times in March alone and once upon reopening in May.
- Average daily turnover declined by 16 per cent during CY2019 [CY2018: 9 per cent decrease].

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

Insurance

The Life Insurance business of the Group, Union Assurance (UA), recorded a satisfactory performance during the year under review, despite the challenging operating environment. GWP amounted to Rs.11.65 billion in CY2019, a growth of 4 per cent, against Rs.11.24 billion in CY2018, while Annualised New Business Premiums (ANBP) recorded notable growth of 20 per cent in CY2019. The market share of UA stood at 13 per cent as at 31 December 2019.

The agency channel continued to be the main driver of growth, accounting for over 86 per cent of the total GWP. Given the significant contribution of the agency channel, the business invested in expanding and improving the quality of the agency channel through initiatives such as branch infrastructure upgrades and revamping of the reward and recognition scheme, amongst others. The bancassurance channel also recorded strong growth.

Reflective of UA's strong financial and solvency position, the business recorded a healthy Capital Adequacy Ratio (CAR) of 362 per cent in CY2019, significantly above the minimum CAR of 120 per cent stipulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL).

As per the actuarial valuation carried out during the year, the Life Insurance business generated a surplus of Rs.1.00 billion [CY2018: Rs.1.10 billion]. The distribution of 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 issued by IRCSL to the entire insurance industry, dated 20 March 2018 - continues to remain restricted subject to meeting governance requirements stipulated by the IRCSL and till such time the Risk Based Capital rules are revised.

UA's investment portfolio, which is the fourth largest in the industry, grew by 15 per cent in CY2019, recording a 10.5 per cent yield despite the lower interest rate trajectory. Net insurance benefits and claims paid increased by 20 per cent due to increases in maturity payouts, which are in line with UA's contractual obligations, and increases in surrender payouts on the back of a challenging macroeconomic environment.

Union Assurance unveils new logo and theme 'Your Life, Our Strength'

The subdued performance of equity markets during the year on account of lacklustre economic conditions and political uncertainty led to the business recording an unrealised loss of Rs.298 million on its equity portfolio in CY2019. It is pertinent to note that this is a notable improvement against the loss of Rs.803 million recorded in CY2018. The management of the equity portfolio was outsourced to an external fund management entity during the year to optimise returns of the portfolio.

The business underwent a leadership change, with the appointment of a new Chief Executive Officer, possessing a wealth of industry experience across several key Asian markets, on 1 December 2019. A Board Supervisory Committee was established during the transitory period with the objective of assisting the management to ensure a seamless operation during this time.

UA continued its 'digital first' business model during the year in line with its mission to position itself as the foremost digital life insurance company in Sri Lanka. To this end, the business carried out the ensuing initiatives:

- Issuance of e-policies and e-premium statements.
- Automation of several processes including recruitment, performance management, lead management and sales competition monitoring.
- The business piloted and rolled out two advanced analytics use cases during the period under review, yielding higher value than initially estimated. These use cases are targeted at addressing key business challenges and unlocking significant value. To this end, improving access to under-penetrated market segments and expanding the agency channel are key focus areas.

UNION ASSURANCE
A JOHN KEELLS COMPANY

Consolidating on UA's growth and expansion, the business underwent a brand change in March 2020.

The new logo depicting the 'circle of life' and its theme - 'Your Life, Our Strength' heralds a new positioning for the business. Its purpose is built on 3 main pillars:

- Protecting relationships;
- Protecting growing ambitions and
- Protecting progressing lifestyles.

Refer Intellectual Capital for further details - **page 59**

The business launched the following new products, in line with the business' objectives of creating value for its customers and capitalising on growth opportunities:

- Union Smart Health Premier – a world-wide comprehensive medical expense reimbursement rider benefit which also provides indemnity cover for hospitalisation or surgery.
- Union Advantage Premier Plan, the Union Smart Investor life insurance plan and Union Ultra Protect Plan – three life insurance plans with flexible premium payments and dynamic features.
- Union Guru Rakawarana – an exclusive partnership agreement with the 'All Island Professional Lecturers Association' (APLA) to offer existing products of Union Assurance with value added benefits.
- Life and Medical Plan – a medical plan with life cover customised to personal requirements, curated for the bancassurance channel.
- Critical Illness Plan – a customised plan that combines a life cover with a critical illness cover, curated for the bancassurance channel.

AWARDS

- Gold Award in the Insurance Industry and two Merit awards - National Business Excellence Awards 2019.
- Winner of the Legacy and Ecosystem Transformation category - Asia Insurance Technology Awards 2019.

The General Insurance business, FIL, in which the Group has a 22.0 per cent stake recorded encouraging premium growth of 4 per cent during the year under review, with a market share of 12 per cent as at 31 December 2019.

"The Bank leveraged on further strengthening relationships and networks, pursued offshore opportunities in structured finance and also focused on maintaining portfolio quality."

Banking

NTB recorded a steady financial performance despite many external challenges. Performance was driven by the Corporate Banking segment. The Bank leveraged on further strengthening relationships and networks, pursued offshore opportunities in structured finance and also focused on maintaining portfolio quality. Whilst the Credit Cards vertical recorded robust growth, maintaining its position as the largest issuer and recording the highest customer spend, the Consumer Banking, Leasing, and SME verticals recorded lacklustre performance. It is pertinent to note that customer satisfaction levels improved to 92 per cent in CY2019 [CY2018: 84 per cent], whilst net promoter scores also increased across business verticals.

A moderation in risk appetite given conscious efforts to curtail lending to certain segments, in view of subdued economic conditions and an industry-wide deterioration in credit quality, resulted in a loan growth of 2 per cent [CY2018: 19 per cent]. Growth in loans and advances were primarily driven by growth in the corporate segment, although growth was partially offset by contractions in the SME and leasing portfolios. To this end, loans and advances under the leasing portfolio contracted by 1 per cent.

The deposit base contracted by 2 per cent in CY2019, as NTB did not actively pursue deposit mobilisation given subdued loan growth. NTB recorded an improvement in its CASA ratio to 27 per cent [CY2018: 25 per cent].

	Consumer Banking	SME Banking	Corporate Banking
Growth in loans and advances (%)	3	(6)	16
Growth in deposits (%)	7	2	(17)

Aided by a consolidation of the Bank's portfolio and several other initiatives to preserve portfolio quality, with emphasis on underwriting and recoveries, NTB was able to curtail the increase in impairment charges at 0.8 per cent. Impairment was primarily driven by the Leasing portfolio, while the SME and Consumer segments saw a decline in impairment charges in CY2019. Against this backdrop, the Bank's Non-Performing Loan (NPL) ratio increased to 6.17 per cent during the year [CY2018: 4.58 per cent].

Interest rate caps imposed on deposit and lending rates had a short-term impact on net interest margins (NIM) during the year, which resulted in NIMs declining to 4.86 per cent against 5.00 per cent recorded in CY2018. However, net interest income increased by 6.4 per cent to Rs.16.13 billion on account of efficient cost of funds and margins management. The cost-to-income (CI) ratio was maintained at 47.9 per cent, as in the previous year.

NTB further strengthened its capital position, through the following initiatives during the year, which resulted in the Bank's core capital and total capital ratios improving to 13.30 per cent and 17.96 per cent respectively. [CY2018: 12.15 per cent and 15.59 per cent respectively]. The Bank's total capital ratio remains comfortably above the required threshold of 12.50 per cent under the Basel III framework.

Digital banking platform 'FriMi' from Nations Trust Bank

FINANCIAL SERVICES

- Issue of 45 million Basel III compliant, Tier II, listed rated unsecured subordinated redeemable debentures with a non-viability conversion at a par value of Rs.100.00 each, raising Rs.4.5 billion.
- NTB also raised USD 16 million (~Rs.3.0 billion) through a syndicated loan and Rs.5.0 billion via securitised borrowings.
- A dividend in lieu of CY2018 profits (in the form of a Scrip dividend) of Rs.2.10 per share dividend in the proportion of 1 share for every 46.1 Ordinary Voting Shares and 1 share for every 42.0 Convertible Non- Voting Shares (Convertible to Ordinary Voting Shares).

As per the Bank's succession plan, the former Deputy Chief Executive Officer of the Bank assumed office as the new Chief Executive Officer of NTB with effect from 2 April 2020.

Key digitisation, cost management and risk reduction initiatives of the Bank are as outlined below:

- Implementation of an activity-based costing framework across the products and value chains mapped to customer journeys, which captures the entire operating cost of the Bank. This provides the Bank with insights on managing and improving resources, capacities and associated cost efficiencies.
- Given rising impairments and increased focus on credit risk management, strengthening of pre-credit sanctioning, post credit monitoring and collection activities based on the business impacts faced by customers, particularly by leveraging on the Bank's data and analytics capabilities to strengthen traditional processes.
- Strengthening of the mobile banking value proposition through the introduction of new features and improvements to user experience.
- Launch of a corporate internet banking platform with cash management solutions.
- Increased customer interaction via social media channels.
- Launch of employer brand, 'Create Tomorrow', aimed at attracting and retaining digitally savvy, agile and empowered millennials.

As evident from the above, the Bank continued its drive towards becoming a technologically-driven, customer-centric institution by investing a total of Rs.567 million in its digital infrastructure during the year. Digital channels accounted for 72 per cent of total transactions performed in CY2019, which is among the highest in the industry.

'FriMi', the Bank's digital banking platform, recorded encouraging performance during the year with a 93 per cent increase in its customer base with average monthly transaction values over Rs.4.00 billion. Several investments were made aimed at enhancing the user interface, functionality and user experience, in furtherance of the Bank's efforts to maintain FriMi's position as the market leader in the digital banking space.

AWARDS

- 'FriMi': Best New FinTech Bank in Sri Lanka by Global Banking and Finance Awards 2019
- 'FriMi': Ranked among Sri Lanka's Top 20 E-commerce Brands by LMD in 2019

Stock Broking

JKSB, the stock broking arm of the Group, experienced a challenging year of operations on account of the lacklustre performance of the CSE during the year. Market performance was adversely affected by the Easter Sunday terror attacks in April 2019 and the political uncertainty leading up to the Presidential Election. The performance of the CSE was further dampened on the back of subdued investor and consumer confidence which resulted in most investors adopting a 'wait-and-see' approach. External pressure posed significant challenges for the business, during the year under review.

The business continued to focus on updating its processes and systems to improve alignment with client needs during the year. Several initiatives were introduced in this regard to enhance efficiency and cost management in order to strengthen front and back office operations in 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

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.

PBT* (Rs.million)	2019/20	2018/19**	%
Insurance	1,499	1,833	(18)
Banking	1,292	1,127	15
Stock Broking	(36)	6	(726)
Total	2,755	2,966	(7)

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

*** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- The decline in industry group PBT primarily stems from the Insurance business which recorded a 18 per cent decrease in PBT in comparison to 2018/19, which was partially offset by a 15 per cent growth in the Banking business.

- Insurance
  - Lacklustre growth in new business premiums and decrease in single premiums exerted pressure on GWP growth which stood at 5 per cent during the year [2018/19: 8 per cent], whilst renewal premiums reported notable growth at 9 per cent during the year.
  - Claims and benefits increased marginally by 2 per cent to Rs.5.30 billion [2018/19: Rs.5.20 billion] primarily on account of flat maturity payouts and a marginal increase in surrender payouts during the year under review.
  - Investment income of UA stood at Rs.4.70 billion [2018/19: Rs.3.60 billion]. It is pertinent to note that UA's quoted equity securities reported a fair value loss of Rs.1.17 billion in 2018/19, given the decline in the value of UA's equity portfolio due to the performance of the CSE, which was captured under finance expenses. Barring this fair value loss, investment income recorded a decrease on account of a lower interest rate trajectory. Equity portfolio management has been outsourced to a third party fund management company to optimise portfolio return and risk.
  - Focused cost management strategies resulted in other operating expenses, administrative and selling expenses also recording a notable decrease during the year.
  - Life insurance contract liabilities including unit-linked funds, which are maintained to ensure that future obligations of policyholders are fulfilled, recorded a 16 per cent growth in line with growth in the insurance portfolio and contractual obligations.
  - Change in contract liabilities in lieu of the life fund increased by 64 per cent to Rs.5.62 billion, exerting pressure on profitability [2018/19: Rs.3.42 billion].
  - UA recorded an annual life insurance surplus of Rs.1.00 billion in 2019/20, a marginal decline against the life insurance surplus of Rs.1.10 billion recorded in the previous year.

- Banking
  - NTB recorded a growth of 3 per cent in net interest income driven by marginal loan growth. Growth was moderate reflecting conscious efforts to consolidate the Bank's portfolio in view of subdued economic conditions and an industry-wide deterioration in credit quality.
  - The CI ratio of NTB also improved during the year, despite an increase in operating expenses on the back of investments in training and development, branding and technology.
  - Higher impairment charges on the back of an increase in non-performing loans (NPL) also exerted pressure on performance. To this end, the NPL ratio increased to 6.23 per cent [2018/19: 4.90 per cent] due to the heightened credit risk from subdued macroeconomic conditions.
  - Despite this challenging backdrop, NTB recorded satisfactory performance, particularly through emphasis on recovery and cost management.

- Stock Broking
  - The Stock Broking business recorded a 33 per cent contraction in revenue, driven by reduced activity given the lacklustre performance of the CSE.
  - The business rolled out various initiatives aimed at managing its operational cost, which resulted in productivity and cost efficiencies.

PAT (Rs.million)	2019/20	2018/19*	%
Insurance	959	2,877	(67)
Banking	1,291	1,127	15
Stock Broking	(28)	3	(1096)
Total	2,222	4,007	(45)

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- NTB's tax contribution increased during the year, primarily due to the Debt Repayment Levy, which was in place during the year. It is pertinent to note that the DRL, which came into effect in October 2018, has been abolished with effect from 1 January 2020, with approval from the Cabinet of Ministers and Ministry of Finance, pending parliamentary approval. Accordingly, NTB will not be subject to DRL with effect from the said date.

- Fairfirst Insurance Limited; the associate company having interests in the general insurance industry, witnessed a 36 per cent decline in PAT driven by a decrease in investment income and higher expenses for branch and infrastructure enhancements.

- Up to the period ending 31 March 2018, UA did not recognise a deferred tax asset against its reported tax losses given uncertainty regarding the availability of taxable profits. However, with the introduction of the new tax base as per the Inland Revenue Act No. 24 of 2017, UA is expected to have taxable income based on UA's historical experiences and future projections, going forward. It is also noted that UA was eligible to claim its brought forward tax losses against its taxable income. Accordingly, in 2018/19, UA recognised a deferred tax asset of Rs.1.57 billion, arising from brought forward tax losses. In this light, the net income tax charge for 2018/19 of Rs.528 million was offset by the one-off recognition of the deferred tax asset of Rs.1.57 billion in the Income Statement, which resulted in a net income tax reversal of Rs.1.04 billion. Excluding this impact in 2018/19, the recurring PAT for UA is a 25 per cent decrease against 2018/19.

- Recurring PAT for the Financial Services industry group was Rs.2.22 billion for 2019/20, compared to Rs.2.44 billion in 2018/19.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

Natural Capital

Given the service-oriented nature of business and the inherent type of operations, the industry group's interaction with natural resources is comparatively lower. Regardless, efforts are continuously made wherever possible to reduce the impact of its operations on the environment.

The material topics identified under Natural Capital are:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Regulatory and brand implications	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Water, waste and effluent management		

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Minimise environmental impacts through sustainable energy conservation initiatives and better managed infrastructure. ▪ Responsible disposal of e-waste and other through certified third-party vendors.	▪ Replacement of traditional light bulbs with LED lights - Annual energy saving of 21,732 kWh. ▪ Waste recycled through certified third-party vendors included: ◆ 122 fluorescent bulbs. ◆ 3,470 kg of paper. ◆ 60 kg of plastic. ◆ ~15,000kg of food waste. ▪ All e-waste generated was disposed safely via third-party vendors.
Water, Waste and Effluent Management	
▪ Ensure effluents meet requisite water quality, where relevant.	▪ All toilet cisterns were replaced by vacuum type syphons, resulting in a saving of 2.3 million litres of water annually. ▪ 132,000 litres of water collected annually as a by-product of condensation from air conditioners was reused for cleaning purposes at UA. ▪ The UA branch in Kurunegala operates a wastewater treatment plant.

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	1,388	1,383	0.3

Human Capital

The industry group recognises Human Capital as one of its key resources and thus places significant emphasis on managing and developing its employees. One such way is by meeting training and development needs through a vast number of curated talent management programmes carried out throughout the year, encompassing all employee levels.

"UA introduced a new e-learning platform to conduct and track advisor training programmes."

The material topics identified under Human Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Health and safety	Providing a safe working environment to improve employee productivity	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH
Talent management	The need to continuously upgrade the skills of existing staff, whilst developing a resource base of professionals	

Targets	Initiatives During the Year
Health and Safety	
▪ Strive to ensure a safe and healthy work environment.	▪ The annual fire evacuation drill was carried out at the UA head office in association with the Colombo Fire Brigade.

Targets	Initiatives During the Year
Talent Management	
▪ Build a high performing employee cadre and an agency force through training, development and education.	▪ Introduction of a new e-learning platform 'UA Learning Hub', to conduct and track advisor training path programmes. Launched in line with international best practice, this platform promotes efficient and accessible learning through web-based content. ▪ In line with the succession planning process, internal successors were identified for key positions at UA. ▪ Career development initiatives at UA: ◆ Manager development programmes, 'Manager Par-Excellence' and 'Exercise Magnum Opus' which benefited 22 employees. ◆ An Executive Development Programme which benefited 28 young executive employees. ◆ 'The Ladder Project' aimed at steering career progression of selected non-executive staff members, which benefited 21 employees. ◆ Training on staff activity management for regional managers. ▪ Recruitment drives were carried out including campaigns such as profile recruitment, an advisor referral scheme, a Women's Day campaign and a 100K Recruitment Campaign at UA.

Indicators

	2019/20	2018/19	%
Injuries (number)	20	50	(60)
Training (hours)	9,641	14,633	(34)

Social and Relationship Capital

The Financial Services industry group constantly engages with the community through a range of initiatives catered towards empowering communities, thereby creating greater productivity and efficiency within the industry and economy.

The industry group initiated a number of engagements with its many stakeholders, in order to strengthen relationships and create value. These operations are conducted in line with all statutory and regulatory requirements and are in accordance with the highest ethical standards whilst maintaining customer confidentiality.

The significant suppliers within the industry group are as follows:

SIGNIFICANT SUPPLIERS

- Reinsurers
- Janitors
- Security
- Bancassurance partners

COVID-19 RESPONSE

Response measures taken to safeguard employees working at partner and office locations against the spread of COVID-19, included:

- Execution of the Business Continuity Plans (BCP) for head office, branch staff and staff working at partner locations in line with the Government lockdown regulations.
- Provision of protective masks and installation of hand sanitiser dispensers.
- Awareness creation and introduction of strict guidelines on hygiene and cleanliness in the workplace.
- Establishment of protocol to be followed in the event of cases being detected in the workplace.
- Provision of services to customers under strict health and safety guidelines and measures to limit physical contact.

The material topics identified under the industry group are:

Material Topic	Relevance/Implication	Alignment with SDGs
Customer satisfaction	Negative impact on key customer accounts, investor and client confidence	
Ethics, fraud and corruption	Impact on brand reputation and possible regulatory non-compliance	
Community engagement	Proactive community engagement towards building trust and promoting brand image	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH

Targets	Initiatives During the Year
Customer Satisfaction	
▪ Maintain high quality standards within the operating environment, enabling efficient and productive delivery of services.	▪ Value addition through digital initiatives and implementation of paperless operations where possible. ▪ Second phase of the NPS (Net Promoter Score) research was carried out for UA in order to identify service improvements. ▪ Brand Equity research was carried out for UA to identify brand value that can be leveraged for future growth of the organisation.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

Targets	Initiatives During the Year
Ethics, Fraud and Corruption	
▪ Zero breaches of the Code of Conduct specified by the Group, particularly pertaining to fraud and corruption.	▪ Thorough coverage of corruption and unethical behaviour under the overall risk management process of the Group. ▪ Regular internal reviews and audits as part of the continuous emphasis on mitigating fraud and corruption. ▪ An awareness session against money laundering was conducted for sales support staff.
Community Engagement	
▪ Ensure sound living standards within the community. ▪ Awareness and prevention of diseases such as Dengue and Diabetes in the country.  *A poster developed for the special recruitment drive to commemorate International Women's Day*	▪ The UA CSR initiative 'Union Manushyathwaya – Denuwath, Suwapath, Yahapath Hetak' continued to promote health and well-being around the country through the dissemination of essential information on diseases such as Thalassemia, Dengue and Diabetes. ▪ UA conducted a dengue awareness programme which included: ◆ Awareness and shramadana campaigns, including the distribution of 3,300 information leaflets. ◆ Social media campaign, including a video series reaching 19,000 social media users and a poster campaign reaching 12,000 users. ▪ UA, together with its staff, donated essential food items to 2,000 low income families in the Colombo District during the COVID-19 outbreak. ▪ 15 programmes on diabetes awareness under the 'One Spoon Project' for 1,309 UA staff. ▪ A social media campaign to mark World Diabetes Day reaching 10,296 social media users organised by UA. ▪ A special recruitment drive (online and offline) to commemorate International Women's Day highlighting top ranking female advisors and team leaders of UA. ▪ 62 students from Matara and Vavuniya were awarded English and IT scholarships under the John Keells Foundation (JKF) English Language Scholarship Programme. ▪ UA conducted 4 tailor-made career progression, leadership and team building programmes for 71 staff members.

IMPACT

In collaboration with JKF and World Vision Sri Lanka, UA supported the cleaning and chlorination of 35 water wells in the Kandavalai Divisional Secretariat of the Kilinochchi District (Northern Province), to aid the provision of safe drinking water to communities affected by the North-East Monsoon.

No of wells : 35
Direct beneficiaries : 1,881

IMPACT

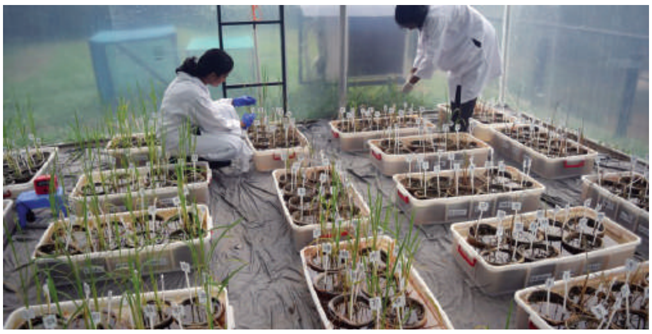
Programmes to create awareness on Thalassemia and the prevention of such diseases were conducted in partnership with the National Thalassemia Centre in Kurunegala, St. John's Ambulance Brigade, and Hemal's Thalassemia Care Unit in Kadawatha.

28 programmes
85 screenings
24,039 persons impacted

A donation of 2,000 essential food items to families in need

"The UA CSR initiative 'Union Manushyathwaya – Denuwath, Suwapath, Yahapath Hetak' continued to promote health and well-being around the country through the dissemination of essential information on diseases such as Thalassemia, Dengue and Diabetes."

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES



Industry Group Structure

Information Technology

IT Services

- John Keells IT (JKIT) is a boutique IT consultancy and professional services organisation with a vision to digitally transform organisations.
- Core focus areas:
    - SAP solutions and services
    - Microsoft solutions and services.
    - Software and digital solutions, products and services.

IT-Enabled Services

- Infomate is a BPO service provider with the mandate of driving greater efficiencies for their clientele.
- Core focus areas:
    - Finance and accounting
    - Payroll management
    - Data digitisation

Plantation Services

- John Keells PLC – a leading tea and rubber broker.
- Tea Smallholder Factories PLC :
    - Operates 7 factories.
    - Leading manufacturer of low grown orthodox and CTC teas in the country.
- John Keells Warehousing – operates a state-of-the-art warehouse for pre-auction produce.

Other

- JKH and Other businesses (Centre Functions/Divisions).

Contribution to JKH Group

2%	Revenue
20%	EBIT
12%	Capital Employed
3%	Carbon Footprint

Key Indicators

Inputs (Rs.million)	2019/20	2018/19	%	2017/18
Total assets	43,096	56,329	(23)	57,449
Total equity	38,495	40,996	(6)	55,552
Total debt	2,705	13,222	(80)	71
Capital employed	41,200	54,218	(24)	55,623
Employees	1,335	1,303	2	1,281

Outputs (Rs.million)	2019/20	2018/19*	%	2017/18
Turnover	3,803	3,754	1	4,658
EBIT	3,153	6,240	(49)	6,276
PBT	2,817	5,915	(52)	6,129
PAT	2,065	3,861	(47)	3,895
EBIT per employee	2	5	(51)	5
Carbon footprint	3,012	3,255	(7)	3,681

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

INDUSTRY GROUP REVIEW

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

EXTERNAL ENVIRONMENT AND OPERATIONAL REVIEW

MACROECONOMIC UPDATE

Information Technology

- Businesses across the globe continue to invest in emerging technologies that offer new avenues in pursuit of their strategic ambitions and growth opportunities, leveraging on the transformative potential of information and digital technologies. The key opportunity lies in an integrated approach leveraging the solutions stacks across Cognitive Systems/Artificial Intelligence (AI), Big Data, Robotic Process Automation (RPA), Internet of Things (IoT), Block Chain, 3D Printing, Cloud Computing, Mobility, Mixed Reality, etc.
- There is a greater shift towards the adoption of Cloud platforms and solution stacks elaborated above, to drive Work from Home (WFH) as well as facilitate remote working across the multitude of industries as part of a broader response to the COVID-19 pandemic. Businesses across the industries will continue adapting to new ways of working which will evolve in terms of defining and sustaining the 'new normal' in furtherance of their risk management processes, business continuity plans and in preparedness for such 'black swan' events.
- Given the transformative potential of information/digital technologies in the post COVID-19 era, the prospects for the positioning of Sri Lanka as a Global IT-BPM destination and a Centre of Excellence in Asia as per Sri Lanka's National Export Strategy 2018-2022 (NES) remain encouraging. Such opportunities are further aided by Sri Lanka's early adaption of new technologies, talent pool, competitive costs and high-quality of solutions, products and services.

Plantation Services

- Global tea production recorded a 1.57 per cent increase in production during CY2019 on the back of increased production from India and China whilst lower output from Sri Lanka, Kenya and Vietnam was noted due to adverse weather conditions and subdued tea prices in the market. Markets were also hampered by strained relations between the United States and Iran, devaluation of currencies of key export destinations and pressure on oil prices which resulted in lower demand from key tea drinking nations.
- Sri Lanka recorded a marginal decline in tea production to 300,134 MT during the calendar year 2019 [CY2018: 303,843 MT] with high grown and low grown production declining by 3 per cent and 1 per cent, respectively. The decline in production was primarily due to erratic and adverse weather conditions during the year and under-supply of fertiliser inputs.
- Sri Lankan tea export volumes to Japan and Taiwan were hampered during the year, due to re-emerging concerns of Ceylon Tea exceeding the maximum residue levels (MRL) permitted for these markets. The concerns, which first materialised in 2018 due to the use of alternative weedicides during the ban on glyphosate, which was subsequently lifted, re-emerged during the year due to a further tightening of MRL levels for these markets. Against this backdrop, shipment returns and additional testing requirements necessitated by such concerns increased costs to exporters. The loss of export volumes to high value markets also adversely impacted prices at the Colombo Tea Auction.
- In line with trends in global tea prices, average tea prices at the Colombo Tea Auction declined by Rs.37.37 per kg from the previous year to Rs.544.54 per kg. However, given the superior quality of Ceylon Tea and the niche nature of the product, the industry was able to command higher prices towards the latter end of the year under review. Total export revenue increased by Rs.8.9 billion to Rs.240.6 billion.

Regulatory interventions

- Key fiscal stimulus measures implemented by the Government of Sri Lanka (GoSL):
  - Reduction in the Value Added Tax (VAT) from 15 per cent to 8 per cent, effective 1 December 2019.
  - Removal of Nation Building Tax (NBT), effective 1 December 2019.
  - Tax exemption on Information Technology and enabling services, effective 1 January 2020.
- Key relief measures introduced in March 2020 for sectors, including the information technology and plantations industries:
  - 6-month debt moratorium on interest and capital payments.
  - Concessionary working capital loans at 4 per cent interest.
  - Extension of permanent overdraft and trade financing facilities.

Information Technology

The year under review marked the first full year of operations for the unified brand, John Keells IT (JKIT), which merged the operations of John Keells Computer Services and Strategic Group IT (SGIT) in 2018/19. The intention of amalgamating the companies was to provide a better end-to end value proposition for customers whilst leveraging on the combined strength of the companies to harness greater value of its transformative potential across the solutions, products and services.

"The year under review marked the first full year of operations for the unified brand, John Keells IT, which merged the operations of John Keells Computer Services and Strategic Group IT in 2018/19."

Subdued economic activity on the back of the Easter Sunday terror attacks and political uncertainty in the first half of the year under review, impacted securing new business whilst global challenges such as the Russia-Saudi Arabia oil price war impacted sentiment of key markets in the Middle East and North Africa (MENA) region. However, JKIT made significant headway during the year under review, particularly in terms of expanding its global footprint and strengthening ties with internationally renowned entities in the tech space. To this end, JKIT:

- Expanded its partnerships with key players in the industry including SAP, Microsoft and UiPath across Sri Lanka, UAE, Qatar and Southeast Asia.
- Obtained the status of a 'managed partner' for Microsoft in the Southeast Asian markets in addition to being a Gold certified partner, entailing a more exclusive type of partnership with a deeper level of engagement with the company.
- Obtained the status of a Gold partnership with SAP in Sri Lanka whilst being acknowledged as a EMBRACE partner across the regions the business is present, given its unique combination of SAP and Microsoft Azure competencies.
- Continued its focused expansion in the MENA market by establishing an office in Qatar during the year, whilst also relocating to a new premise in UAE. The business also expanded its workforce.
- Entered into several Go-to-Market partnerships with Sri Lanka Telecom; Ooredoo (Maldives), and EBLA (Qatar), while continuing discussions with other reputed entities to establish partnerships in alignment with market development plans in various territories of interest.
- Secured several new local and international clients.

The business continued to invest in R&D as well as develop futuristic digital solutions, platforms and products placing emphasis on SMART technology stacks encompassing end-to-end value propositions for homes, offices, factories, hotels, retailers, airports, etc.

JKIT also strengthened its operations by cloud-enabling its core processes across customer relationship management, programme management as well as service management to streamline its activities across the territories that they are operational in cognisant of the solutions, products and services rendered to Group companies, JKIT continued to invest and incubate new and leading edge solution stacks with the domain expertise of businesses within the Group, with the ultimate objective of broad basing the portfolio and revenue streams.

In line with the increased security threat levels and evolving need for enhanced cybersecurity programmes in an evolving digital ecosystem, JKIT further strengthened its cyber resilience programme and capabilities during the year under review. 2019/20 marked the first full cycle of operations of the Security Operations Centre (SOC), which was successfully rolled out in 2018/19, for added control measure. This was integrated to Microsoft as well as 'Palo Alto security solutions' to give JKIT a better security posture to serve its clientele better.

AWARDS

- Microsoft Azure Partner of the Year in SEA Emerging Markets.
- Microsoft Cloud Solutions Innovations Partner of the Year in SEA Emerging Market.

Infomate, the Group's BPO operations in Sri Lanka increased its external client portfolio during the year, with the acquisition of new business from various geographies, primarily Europe. The business also made its first inroads to the U.S. market during the year under review, further expanding its global footprint. New client additions include the local branch of an international consumer goods company as well as a prominent finance company in the UK.

During the year under review, Infomate also expanded its scope of operations to include a range of back-office functions, including outsourced data entry and human resource management. The business was also successful in conducting several initiatives aimed at consolidating its multilingual, 24/7 workforce and increasing service visibility.

Plantation Services

Tea Smallholder Factories PLC (TSF) recorded a decline in volumes during the year, impacted by erratic and inclement weather patterns which led to the decline in the availability of green leaf. Notwithstanding the subdued prices during the year, the business was able to secure significantly high prices at the Colombo tea auctions. Similar to previous years, TSF undertook a series of cost saving initiatives and steps towards the automation of its manufacturing processes to enhance capital productivity and efficiency. During the year, the business also obtained a Rainforest Alliance Certification for one of its factories, enabling the business to cater to a wider market, particularly in Europe.

John Keells PLC was impacted by subdued economic conditions domestically and global headwinds as discussed in the macroeconomic update. The impact on performance was also compounded by limited supply of green leaf, on the back of the closure of several factories given working capital constraints. Despite these challenges, the business remained resilient, continuing its strategic focus on procuring tea to meet its pre-defined quality standards and refining its supplier network to maintain its reputation for a superior quality product.

In April 2020, the business participated in the first ever online Colombo Tea Auction, which was implemented given strict curfew measures imposed by the GoSL to curtail the spread of COVID-19.

AWARDS

- Hingalgoda Tea Factory - Award for Best CTC Producer – awarded by the Tea Exporters Association.

Other

John Keells Research (JKR), the research and development arm of the Group, made significant headway during the year under review.

During the year under review, JKR extended the coverage of its patent for the novel energy storage material developed in collaboration with the National Metallurgical Lab of the Council for Scientific & Industrial Research (CSIR-NML), India, to include Sri Lanka, USA, China, Europe, Japan and South Korea.

INDUSTRY GROUP REVIEW

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

JKR emerged winners of an innovation challenge posted by the Austrian company 'Kwizda Agro GmbH' on the crowd innovation platform 'Hypios' in December 2019. The challenge was centred around improving gel formulation against liquefying, for which JKR submitted a theoretical gelling substitute solution.

JKR continued to organise 'Innowave @ Techcity', a series of inspirational talks aimed at sharing knowledge and spurring innovation within businesses. Two interactive sessions were held during the year under review, with the participation of both domestic and international industry leaders.

JKR was selected to participate in the 'Enabling IP Environment Project' conducted by the World Intellectual Property Office (WIPO). JKR remains the only private sector-based research group in the world to be selected. Under the programme, JKR continues to receive mentorship from WIPO nominated experts on its commercialisation efforts surrounding patented novel energy storage material and drone-based infrastructure inspection.

In line with the Group's drive towards data-driven decision-making, OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, was formally initiated as a division under JKH during the year under review. OCTAVE commenced work on a series of advanced analytics use cases in the Supermarket and Insurance businesses, with the aim of unlocking significant value by translating advanced analytics insights into front line business interventions.

Refer Intellectual Capital for more details - page 59

The Group continued its social entrepreneurship initiative 'Plasticcycle' with the aim of reducing plastic pollution in Sri Lanka. The initiative reached a significant milestone during the year with 50 MTs of plastic waste collected and recycled in partnership with the Sri Lanka Recyclers Association, (equivalent to over 1,500,000 PET bottles). 'Plasticcycle' undertook several initiatives during the year supporting the responsible disposal of plastic waste, creating awareness and promoting recycling processes.

Refer Natural Capital for more details - page 45

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

Revenue (Rs.million)	2019/20	2018/19	%
Plantation Services	2,615	2,799	(7)
Information Technology (IT)	1,156	851	36
Other	32	104	(69)
Total	3,803	3,754	1

- Revenue growth was driven by the IT sector, given new client acquisitions, both at JKIT and Infomate during the year.
- The Plantation Services sector recorded a decline in revenue on account of adverse weather conditions and other operating challenges experienced during the year, as discussed in the Operational Review.
- The revenue decline at Other, primarily stems from the Group's in-house IT (Group IT) function, formerly known as Strategic Group IT (SGIT), focusing only on in-house IT functions. Group IT did not undertake commercial operations during the financial year.

EBITDA (Rs.million)	2019/20	2018/19*	%
Plantation Services	74	495	(85)
Information Technology (IT)	349	192	81
Other	2,892	5,701	(49)
Total	3,315	6,388	(48)

** Adjusted to reflect impacts from SLFRS 16 - Leases, for comparison purposes.*

- The EBITDA of the industry group primarily consists of the Other sector, which is driven by the Holding Company, JKH PLC (JKH). EBITDA was impacted by a decrease in interest income on account of lower cash and cash equivalents at JKH due to the planned equity infusions to fund the 'Cinnamon Life' project, and lower exchange gains on the Company's foreign currency denominated cash holding as against the previous year.
- Profitability in the Plantation Services sector decreased in line with the aforementioned decline in revenue. Profitability was also impacted by a one-off impairment of debtors at John Keells PLC considering the stresses faced by tea producers due to lower tea prices last year.
- The Plantation Services sector benefited from the abolition of NBT during the year. Tax exemptions on IT and IT-enabling services with effect from January 2020 also aided profitability of the IT sector.
- The industry group recorded IP gains of Rs.54 million, stemming from the Plantation Services sector. Recurring EBITDA for the industry group, excluding fair value gains of IP, was Rs.3.26 billion.

PBT (Rs.million)	2019/20	2018/19*	%
Plantation Services	(105)	297	(135)
Information Technology	325	173	87
Other	2,597	5,445	(52)
Total	2,817	5,915	(52)

** Adjusted to reflect impact from SLFRS 16 - Leases, for comparison purposes.*

- In addition to the factors discussed above, PBT of the Other sector was also impacted by higher finance expenses on account of short-term borrowings and bank overdrafts at JKH during the year.
- Recurring PBT, excluding fair value gains on IP, was Rs.2.76 billion.

Debt (Rs.million)	2019/20	2018/19	%
Plantation Services	675	1,141	(41)
Information Technology	7	8	(17)
Other	2,023	12,073	(83)
Total	2,705	13,222	(80)

- Short-term borrowings and bank overdrafts of JKH reduced by Rs.9.78 billion. As at 31 March 2019 the Company obtained temporary short-term funding for the share repurchase in 2018/19.
- The Plantation Services sector recorded a notable decline in debt as a result of a decrease in short-term borrowings and overdrafts facilities.

Natural Capital

Given the inherent linkage between natural resources and Sri Lanka's plantations industry, the Group focuses on effectively and sustainably managing its Natural Capital. The Group has ongoing collaborations and partnerships with international conservation bodies to disseminate international best practice and standards within the Plantation Services sector, embedding sustainability throughout its supply chain, from smallholder cultivation to distribution. Such practices have enabled the Group to operate with a focus on eco-friendly and sustainable agricultural practices which are increasingly becoming vital to the operations of the sector.

The Information Technology (IT) sector and the Group's Centre Functions operate in line with the Group's Environmental and Energy Management policies. The IT sector focuses on process efficiencies and continuous monitoring to conserve energy whilst continuing to invest in energy efficient solutions through the adoption of new technologies. All e-waste generated is disposed in accordance with Group policies in a responsible manner to minimise its environmental impact.

CARBON FOOTPRINT

Information Technology : 240 MT
Plantation Services : 2,395 MT
Other : 377 MT

CARBON FOOTPRINT

3,012 MT

2018/19: 3,254 MT

7%

The material topics under Natural Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Energy and emissions management	Financial, regulatory and brand reputation implications	12 Responsible Consumption and Production; 13 Climate Action
Waste and effluent management	Regulatory implications and environmental responsibility	

Targets	Initiatives During the Year
Energy and Emissions Management	
▪ Reduction of carbon footprint through renewable energy usage and energy efficiency improvements.	▪ Installation of solar panels at John Keells Warehousing (JKW) generating 517,707 kWh of renewable energy. ▪ Installation of a biomass fired steam boiler at the Broadlands factory of TSF, generating 2,800 MWh of renewable energy. ▪ Adjustments made to compressor efficiency parameters at all TSF factories resulting in 175,000 kWh of energy savings. ▪ Improved efficiency through semi-automation of tea sifting process at two TSF factories. ▪ ISO 50001:2018 Energy Management System Certification resulting in the establishment of benchmarks, further energy optimisation and awareness creation on importance of energy conservation.

INDUSTRY GROUP REVIEW

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Targets	Initiatives During the Year
Waste and Effluent Management	
▪ Ensuring disposal of all waste water from factory and biomass combustion as per Environmental Protection License (EPL) requirements. ▪ Responsible disposal and reduction in generation of e-waste and paper waste.	▪ Wood ash generated through the use of biomass is used as landfill with no negative impact to the environment. ▪ E-waste is disposed through a certified e-waste disposal partner as per the Group e-waste policy. ▪ All businesses continued to minimise paper usage and all used paper waste was recycled through a certified recycler.

TREE PLANTING PROJECT

Subsequent to the 5-year tree planting project organised by TSF, in collaboration with John Keells Foundation (JKF) and the Carbon Consulting Company (Private) Limited, that concluded in 2018/19, TSF pursued a similar strategic model in partnership with Chemical Industries Colombo (CIC) during the year under review.

No of plants	: 550 plants
Plant Category	: Albizzia (Albizia Moluccana) forestry and a timber plant
Beneficiaries	: 110 Tea smallholders
Land area	: 50 acres

Impact:

- Enhancement of the forest cover which will increase the productivity of smallholder tea land.
- Smallholders able to reap the value of the timber post maturity.

Indicators

	2019/20	2018/19	%
Carbon footprint (MT)	3,012	3,254	(7)
Waste generated (kg)	168,133	173,541	(3)

Note: Waste generated excludes Information Technology and Other sectors as it is not material.

Carbon footprint scope 1 and 2 per operational intensity factor

	2019/20	2018/19
TSF PLC CO_2 (kg per kg of tea produced)	0.7	0.7
JK PLC and JKW CO_2 (kg per sq.ft. of floor area)	1.3	1.5

Screw compressors used at TSF factories

Human Capital

As a service-based industry group, employees form an integral part of its operations and business model. Therefore, significant emphasis is placed on managing Human Capital effectively, including continuous professional and career development and constantly updating the skill set of employees, particularly in the Information Technology sector, given the constantly evolving technology landscape within a local and global context.

The Information Technology sector regularly invests in continuous professional training and development for existing employees, in addition to continuously engaging with universities and institutions for graduate and internship placement programs. This enables the Group to create a talent pool of high-quality potential recruits, increasing the viability of businesses within this sector.

TSF factories maintain relevant health and safety certifications and continuously monitor the conditions of the work environment. Regular trainings on health and safety are also conducted within the Information Technology sector, and where necessary, arrangements are made to ensure safe commutes for employees in companies operating on a 24-hour basis.

NUMBER OF EMPLOYEES

Information Technology	: 580
Plantation Services	: 617
Other	: 138

TRAINING

11,403 hours

2018/19: 10,023 hours

14%

Material topics identified under Human Capital, are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Health and safety	Ensuring safe working conditions, with a special focus on occupational health and safety	
Talent management	Hiring, retaining and upskilling functionally skilled and motivated staff, particularly at the IT and Centre Functions to facilitate Group-wide synergies	

Targets	Initiatives During the Year
Health and Safety	
▪ Minimising health and safety incidents. ▪ Providing a safe and healthy working environment for staff.	▪ OHSAS 18001 certification is maintained for all TSF factories. ▪ Awareness and training on worker health and safety was conducted in line with OHSAS 18001 standards for all factories. ▪ Training and awareness programmes on food safety were conducted in line with ISO 22000:2005 standards for employees. ◆ No product quality violations were reported. ◆ Six factories were certified for ISO 22000:2005 under Corporate certification for the company.
Talent Management	
▪ Ensure Group-wide synergies are created through continuous enhancement of knowledge and skills. ▪ Engagement with local universities to build a pool of potential employees with requisite soft skills.	▪ Infomate, in collaboration with JKF and the Foundation for Advancing Rural Opportunity (FARO), continued their long-term collaboration to outsource certain invoicing functions to rural youth, thereby creating sustainable livelihoods in proximity to their localities. Total earnings recorded from the initiative: Rs.15,239,527. ▪ A series of technical and soft skills trainings were conducted by Infomate for all 3 Rural BPO units, aimed at the professional development of associates. ▪ JKF successfully conducted a 6-month leadership programme for 16 BPO associates representing the management teams of all 3 rural BPO units. ▪ JKIT and Infomate continued to engage with local universities and higher education institutes by providing soft skills training. ▪ Certain graduates from these institutes were provided internship opportunities and on-the-job training at JKIT.

COVID-19 RESPONSE

All companies operated in line with their respective business continuity plans (BCPs). To this end, measures were taken to ensure the safety of all employees during the COVID-19 outbreak:

- Facilities for employees to work from home.
- Regular disinfection of premises and other required health and safety facilities.
- Awareness sessions.
- Tea production continued under strict health and safety conditions, with approval from Government authorities.

"The Information Technology sector regularly invests in continuous professional training and development for existing employees in addition to continuously engaging with universities and institutions for graduate and internship placement programs."

Indicators

	2019/20	2018/19	%
Injuries (number)	5	5	(-)
Training (hours)	11,403	10,023	14

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Social and Relationship Capital

The industry group places significant emphasis on working closely with the communities within which it operates. As the community is an integral part of the supply chain for the Plantation Services sector, building trust and engaging through Corporate Social Responsibility (CSR) initiatives assist in developing mutually beneficial stakeholder relationships. Such activities are carried out both at a business level and through John Keells Foundation.

The Information Technology sector engages with rural communities to help promote IT literacy and alternative livelihoods for youth in their own localities by providing job opportunities at BPOs. This contributes to building a strong recruitment pipeline with skilled talent to maintain and expand operations. Increased employability of youth, creating improved livelihoods and enhancing economic and social benefits within the community, are some of the key positive outcomes intended by these CSR initiatives.

In line with Group practices, all significant suppliers of Plantation Services and Information Technology sectors respectively have been identified in the diagrams below. The suppliers have been assessed for any negative impacts on environment, labour and human rights fronts.

"Community is an integral part of the supply chain for the Plantation Services sector, and emphasis is placed on building trust and engaging through CSR initiatives to develop mutually beneficial stakeholder relationships."

SIGNIFICANT SUPPLIERS - INFORMATION TECHNOLOGY SECTOR AND OTHER

Outsourced operational functions	Outsourced support staff seasonally	Janitors	Security	Transportation providers

SIGNIFICANT SUPPLIERS - PLANTATION SERVICES SECTOR

Tea smallholder farmers	Tea plantations

Material topics under Social and Relationship Capital are as follows:

Material Topic	Relevance/Implication	Alignment with SDGs
Supplier Development and Social Responsibility	Sharing of knowledge and best practice on cultivation to ensure higher yields and quality green leaf benefiting both the tea factories and the smallholder communities Engagement with rural communities to build an IT literate youth through BPO operations Building sustainable relationships to promote social responsibility and integration within the community	3 GOOD HEALTH AND WELL-BEING; 4 QUALITY EDUCATION

Targets	Initiatives During the Year
▪ Assist livelihood development of smallholders through improved yields and providing alternative sources of income. ▪ Improve sustainable agricultural practices and environmental conservation. ▪ Ensuring business sustainability by building and maintaining relationships with smallholder communities, to ensure a steady supply of green leaf. ▪ Strengthening recruitment of fresh talent through building an IT literate youth.	▪ Enhancing sustainable agricultural practices of 2,638 green leaf suppliers under the Rainforest Alliance Certification programme, by recognising products as eco-friendly, including adhering to health and safety practices and product yields. ▪ Awareness programmes, campaigns and workshops conducted by TSF: ◆ Three programmes on Dengue preparedness for 169 community members and suppliers. ◆ One programme on flood preparedness for 600 participants in Baddegama by Asia Pacific Alliance for Disaster Management (A-PAD) and Sirasa. ◆ Workshop for 362 G.C.E. Ordinary Level students. ◆ Blood donation campaign with the participation of 69 donors. ◆ 'Shramadana campaign' at Hiniduma Base hospital with 50 participants. ▪ 118 students were awarded English and IT scholarships under JKF's English Language Scholarship Programme. ▪ TSF supported JKF's Vision Project by conducting an eye camp, funding the cataract surgeries of 57 patients. ▪ During the COVID-19 outbreak, TSF conducted awareness sessions in all its factories and a disinfection programme in the Neluwa and Hiniduma Hospitals and public areas of the Neluwa town.

OUTLOOK

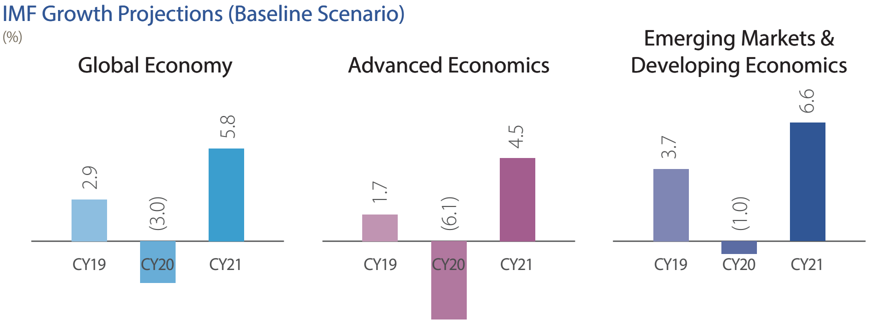
"The COVID-19 pandemic presents unprecedented challenges globally, concurrently inflicting high and rising human and economic costs world-wide. Against this backdrop, the section that ensues entails a discussion of the Group's approach to managing the impacts of the COVID-19 pandemic, industry-specific strategy in this light and the outlook beyond the pandemic, in dealing with the 'new normal'."

MACROECONOMIC OUTLOOK

Global Context

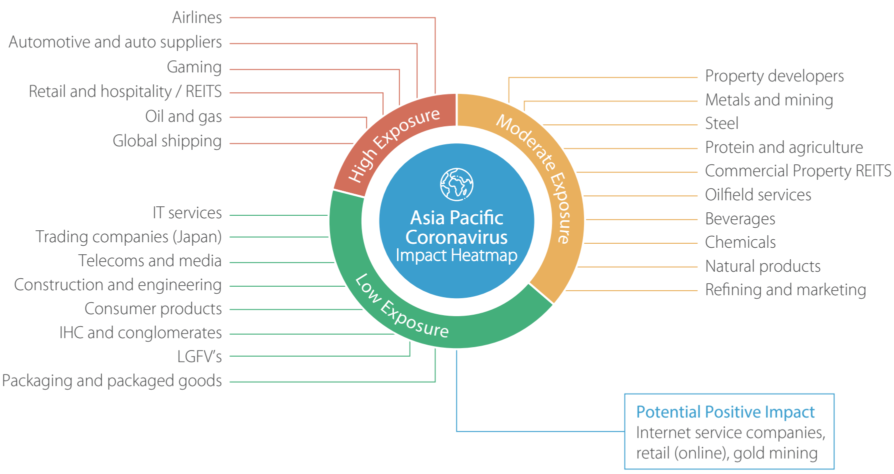
The International Monetary Fund (IMF) predicts global economic activity to contract by 3.0 per cent in CY2020 under a baseline scenario, which assumes the gradual containment of the pandemic and an improvement in the health crisis in the latter half of CY2020. Under this scenario, the global economy is expected to record a 5.8 per cent growth in CY2021, as economic activity gradually reaches normalcy, aided by policy support. Under a more adverse scenario, global growth is expected to contract by 6 per cent in CY2020.

IMF Growth Projections (Baseline Scenario)
(%)



Source: World Economic Outlook April 2020, International Monetary Fund

Potential Impact on Different Sectors in the Asia Pacific Market
(%)



Source: Moody's

Sri Lankan Context

Notwithstanding the impacts from the Easter Sunday terror attacks in April 2019, economic activity witnessed a rebound towards the fourth quarter of 2019/20, driven by the expansionary policy stance adopted by the Central Bank of Sri Lanka (CBSL), political clarity post the conclusion of the Presidential Election and the consumer-centric tax cuts aimed at increasing disposable income introduced by the Government, while bookings in the Leisure businesses had recovered close to levels seen prior to the Easter Sunday terror attacks. However, the recovery was hampered by the outbreak of the COVID-19 pandemic and the resultant disruptions arising from the curfew imposed, including the closure of the international airport for arrivals, from March 2020 onwards.

The pandemic is expected to significantly curtail economic activity and lower consumer and business confidence, particularly in the short-term, limiting household income and consumption. Remittances are expected to moderate given a global economic slowdown and lower oil prices, since remittances originate primarily from the Middle East.

The country's refinancing risk and borrowing cost is likely to increase due to the rating downgrade of the sovereign amidst concerns on external debt repayment obligations, while higher spending on healthcare and financial support for the local economy will result in a wider fiscal deficit. The Sri Lankan Rupee is likely to continue facing pressure although the sharp decline in oil prices and import control measures will help offset it partially.

Whilst there will be short-term challenges given the current situation, 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.

While the stringent containment measures adopted by the Government in managing the outbreak thus far has enabled containment of the spread of the virus, this has had a substantial impact on economic activity. As per the CBSL, Sri Lanka has utilised three types of policies to address the COVID-19 pandemic and its effects:

(1) Border control and health sector policies such as aggressive 'social distancing' measures implemented in the entire country including strict, island-wide curfews.

OUTLOOK

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

(3) Monetary and financial sector measures, including capital flow management, reduction in key policy rates and measures aimed at easing pressure on the financial services sector.

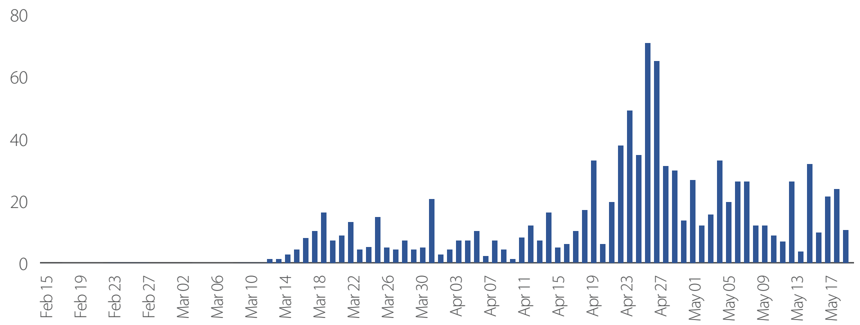
However, with the resumption of activity across the country post the easing of curfew restrictions, the Group is seeing early signs of an encouraging recovery of consumer activity which should be positive for consumer-focused businesses such as Consumer Foods, Retail, Logistics and Insurance.

COVID-19 Developments in Sri Lanka

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of 'work from home' for the general public, post which, an island-wide curfew was imposed on 20 March 2020, with restrictions waived only for services classified as 'essential'. It is pertinent to note that entities continued with 'work from home' arrangements during periods of curfew.

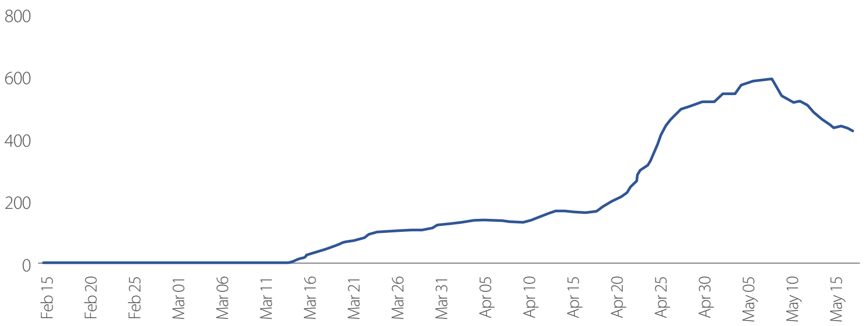
After a period of a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for two high risk districts, including the Colombo district, although business activity has resumed across the country. Although it is too soon to make an assessment, the Group has seen a relatively smooth transition with the resumption of business activity where a positive momentum has already been witnessed.

Daily Cases in Sri Lanka
(Cases per day)



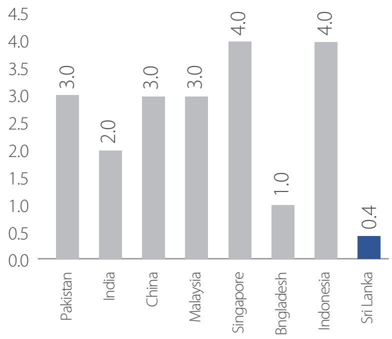
Source: Worldometer

Active Cases
(Number of infected people)



Source: Worldometer

Death Rate is Far Below Regional Peers
Deaths/million (population)



Source: Worldometer

Whilst commending the relevant authorities for the aggressive and proactive efforts undertaken to contain the spread of the virus, it is encouraging that there is no indication of community spread in the country. Relief response and the actions taken by the Government has been commended by World Health Organisation (WHO), given that the country has been able to respond earlier on the curve.

GROUP RESPONSE

With the onset of the COVID-19 pandemic in China and the subsequent outbreaks in various parts of the world, the Group proactively revisited its business continuity plans, and given the unprecedented nature of the pandemic, ensured the availability of all required infrastructure to ensure a smooth transition to remote working arrangements. Given the stringent lockdown measures subsequently imposed, the different businesses of the Group enacted their respective business continuity plans to ensure that activities were maintained, to the extent possible.

The Group also evaluated all guidelines issued by the Government as well as international best practice and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders. These guidelines are continually updated to reflect changes to Government regulations.

Given the volatile and evolving landscape, the Group will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. The Group will also continue to assess the operating landscape, and be vigilant and aware of shifts in market and consumption trends, including the competitive landscape and positioning. Although supply chains were disrupted with the imposition of curfew, this is expected to gradually ease off with the resumption of business activity. At this moment, the focus is on transitioning to 'back to work' arrangements ensuring all health and safety protocols are in place. The current Group directive to all employees is to 'work from home', unless they are required to be physically present at work.

Whilst the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, the Group expects the impact on performance in the first and second quarter to be material, particularly for its leisure-focused businesses. The section that ensues details the industry-specific outlook for each of the industry groups and businesses. In the immediate-term, the primary focus across Group businesses is to continue to address the challenges the pandemic presents to the businesses, its workforce, supply chain, customers, technology and other stakeholders.

The Group will also explore opportunities for growth through collaboration and innovation, given that the operating models and assumptions of certain businesses may evolve. The pandemic may act as a catalyst to certain industries in accelerating digitisation initiatives to encompass new process frameworks. Given the early adoption of digitisation initiatives, the Group will leverage on expanding our digital infrastructure and digitisation efforts to capitalise on this opportunity.

"Whilst the short-term impact to the Group performance is expected to be significant, the Group has undertaken various measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity."

At the very outset of this pandemic, the Group focused on assessing its cash and liquidity position given the volatile and uncertain environment and a special Board Meeting was held on 31 March 2020 to evaluate the impacts of the COVID-19 pandemic on the businesses based on scenarios, and to discuss initiatives and strategies going forward. In order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. Whilst the assumptions vary across the businesses, the Group is satisfied of the ability of the businesses to manage its operations even under an extreme stress-tested scenario. Another special Board meeting was held on 6 April 2020 to discuss and approve some of the actions on expense control and capital expenditure decisions.

In light of the Easter Sunday terror attacks and the COVID-19 pandemic, the Group also conducted a comprehensive review of the Group risk management register, where 'terrorism' and 'pandemic' risks were reviewed and appropriate impact mitigation measures relating to 'pandemic' risks in particular were included, to the extent known and possible, given the volatile and evolving circumstances.

Initiatives Aimed at Managing the Group Cash and Liquidity Position

Whilst the short-term impact to the Group performance is expected to be significant, the Group has undertaken various measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity, in particular. A few of the key measures are outlined below:

- Adoption of weekly dashboards, which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash and collections targets.
- Establishment of 'cash war rooms' and 'spend control towers' to critically review each and every spend item, prioritise payments, and impose clear reporting metrics
- A freeze on all non-essential capital expenditure.
- Stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent across the Group till June 2020, subject to further review depending on the macro and operating environment.
- Where relevant, Group companies have applied for relief measures extended by the Government and Central Bank which will help ease the financial position further.

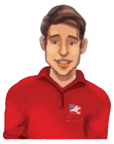
While the forecasted liquidity position is comfortable, the Group is of the view that undertaking proactive steps ahead of further stress will enable maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory.

INDUSTRY GROUP STRATEGY AND OUTLOOK

The section that ensues contains the Group view for the businesses in the immediate to short-term, given the current circumstances, and is also supplemented by market views and empirical evidence, as available. The section also discusses the opportunity beyond the effects of the pandemic, considering the underlying fundamentals of each business in exploring the medium to long-term strategies.

As outlined above, although the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, early signs of an encouraging recovery of consumer activity, with the resumption of activity across the country, should augur well for our consumer-focused businesses such as Consumer Foods, Retail, Logistics and Insurance.

OUTLOOK



Transportation

Immediate to Short-Term

The degree of impact to overall port operations will largely depend on how global trade, particularly regional trade will evolve post recovery. The World Trade Organisation expects global trade to contract between 13 per cent and 32 per cent in CY2020 on the back of weakening global economic conditions. Although trade activity is expected to be hampered given tightness in westbound trade activity, the recovery of trade in China has been encouraging where the Port business is witnessing a pick-up in vessel movement, although volumes in Colombo will also depend on trade in India and the South Asian region.

Although the decline in volumes will impact the industry, this also creates an opportunity to create capacity and retain all customers until new capacity is built within the Port of Colombo (PoC). The Group is confident that this will also pave way for new business as shipping lines move to the more traditional 'hub and spoke' model. However, the ensuing quarter is expected to be challenging for the Port business since regional trade is yet to see improvement.

The reduction in global trade activity and vessel movements is expected to impact the Bunkering business in the short-term. The Group expects a reduction in demand for bunker fuel on the back of subdued activity, although demand may be aided, to an extent, by overflow demand, stemming from the closure of Indian ports. Although subdued oil prices, and further potential declines in oil prices, have resulted in increased demand for bunker fuel in the past, such trends may not materialise given reduced trade activity, thereby exerting pressure on margins – in this light, the business will carefully assess the outlook for oil prices when placing new orders given the lead time of 2-3 weeks for delivery of cargo.

The first tanker importing bunker fuel was docked at the Hambantota Port in early April, to discharge ~25,000 MT of very low sulphur fuel oil into the Port's newly refurbished tanks. The Group will continue to capitalise on opportunities for partnerships in supplying bunker fuel in Hambantota.

The Logistics business is expected to remain resilient in the face of increased warehousing demand for fresh food, medical supplies and the delivery of online purchases. The business will continue to evaluate prospects to leverage on cross business opportunities, thereby ensuring a seamless supply chain for all its stakeholders. To this end, JKLL, reconfigured a distribution centre to an online fulfilment centre within a short span of 5 days to cater to the growing needs for essential goods. A key challenge faced by the business in the current context would be to manage its distribution and delivery within the policies and restrictions stipulated by the Government.

The Airline businesses are expected to be impacted significantly on the back of reduced tourist arrivals and passenger traffic, travel restrictions and dampened consumer sentiment. However, it is heartening to note that the domestic aviation sector of China has recorded notable growth during March 2020, with around a fifth more service being operated than in the previous month, although levels are still less than half those seen before the outbreak.

Medium to Long-Term (Beyond COVID-19)

Looking beyond the short-term impacts stemming from the COVID-19 pandemic, the revival of global trade in the medium to long-term on the back of economic recovery, improvements in consumption, and investments in infrastructure will augur well for Sri Lanka, particularly given its strategic location on key shipping routes.

Ports and Shipping

The recovery of domestic import volumes anticipated in line with a revival of the domestic economy bodes well for the sector in the medium-term, which was hampered by lacklustre economic conditions during the year as outlined earlier.

> "The recovery of trade in China has been encouraging where the business is witnessing a pick-up in Chinese vessel movement, although volumes in Colombo will also depend on trade in India and the South Asian region."

The National Policy Framework (NPF) titled 'Vistas of Prosperity and Splendour' of the Government also focuses on developing ports to facilitate import and export while ensuring higher efficiency and competitive advantages in comparison to regional ports. Following are some of the key points:

- Prioritise the development of East Container Terminal (ECT).
- Potential construction of a new cross-berth terminal between ECT and SAGT, subject to feasibility studies.
- Development of a West Container Terminal with private sector participation.
- Promotion of Colombo and Hambantota sea ports as commercial and passenger ports.
- Development of the Hambantota Port through better physical infrastructure at the Free Trade Zone, better facilities for businesses to provide services such as ship chandelling, crew changes, etc.

The increase in capacity at the PoC is much needed at this juncture, as the PoC is currently operating at ~90 per cent capacity, notwithstanding a reduction in utilisation due to COVID-19. The development of ECT, as highlighted under the NPF, will be vital in ensuring the competitiveness of the PoC in the region - especially in light of increased competition from India with the deep-water terminal in Vizhinjam expected to be operational in the short to medium-term. The long-term plans of the Sri Lanka Ports Authority (SLPA) which include the development of a West Container Terminal and a new Colombo North Port are also encouraging and will spearhead long-term sustainable growth for the sector.

The Government has also identified the need to reform its trade policies and practices to support a business-friendly environment, promote private sector growth and leverage on Sri Lanka's strategic position to attract Foreign Direct Investment (FDI). The Ministry of Ports and Shipping has invested towards transforming the PoC into a 'Smart Port' to enhance efficiency and promote ease of doing business, going forward.

SAGT will continue to explore its prospects 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 : domestic volumes to optimise profitability.

"The recovery of domestic import volumes anticipated in line with a revival of the domestic economy bodes well for the sector in the medium-term, which was hampered by lacklustre economic conditions during the year."

Bunkering

The demand for bunkering services is expected to increase 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 is also expected to aid overall growth in volumes given increased capacity and infrastructure in the country.

The primary challenge to the bunkering market in Sri Lanka remains the limited availability of bonded tank space which has continually hampered regional competitiveness and the ability to meet increasing demand. In line with the envisaged growth trajectory in regional trade activity, the expansion of suitable bonded tank space remains pivotal in capitalising on the growth opportunity. The increase in capacity through the operations at Hambantota were much needed steps in the right direction.

LMS, in liaison with other industry players, will continue to engage with relevant Government authorities to increase the overall storage capacity in Colombo. The business will also focus on further consolidating its own storage capacity, delivery capacity and procurement processes in line with market conditions while continuing to explore additional opportunities in the Hambantota and Trincomalee ports.

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, 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.

Given that the domestic 3PL service industry remains at a nascent stage in the country, with many companies operating internally managed supply chains, the envisaged increase in business operations presents a need for professionally managed, outsourced supply chain solutions.

JKLL will continue to:

- Expand its service portfolio and footprint, further diversifying its offering into identified growth sectors.
- Explore potential for regional expansion.
- Increase its footprint in the temperature-controlled logistics space.
- Augment its end-to-end customer experience through various initiatives, including enhancements to its current business intelligence application.
- Upgrade its warehouse management systems to achieve optimal efficiency and functionality in its managed warehouse space.

Airlines and Other

Increased trading activity and investment towards uplifting the tourism industry, as discussed in the Leisure section of this write-up, coupled with convenience of faster connectivity between cities and Sri Lanka's growing popularity as a destination for short stays are expected to contribute towards improved performance of the Airline segment in the medium to-long-term.

MAL will continue to:

- Leverage on its existing portfolio of represented airlines to increase market share in both passenger and cargo travel solutions.
- Expand its network of airlines.
- Expand selling to long haul sectors.

'Cinnamon Air' will continue to evaluate potential expansion opportunities arising from the growth in tourist arrivals to the country. Significant focus will also be placed on developing its e-commerce platform.

In line with the evolution of the country's maritime and logistical infrastructure, opportunities for the transport sector are expected to materialise through increasing integration with global supply networks, especially through the development of the Southern Port. The Transportation industry group will continue to actively evaluate potential projects and strategic partnerships. The significance of both the Hambantota and Colombo Ports, particularly given the positioning of the former within the 'Belt and Road' trade and infrastructure initiative, and the continued interest by the Government to exit non-core public owned interests to enable private sector investment, both directly and through public-private partnerships, will offer opportunities for private investment which the Group will look to participate in.

OUTLOOK

Consumer Foods

Immediate to Short-Term

Volumes across the beverage, frozen confectionery and convenience foods markets have declined sharply due to the imposition of curfew and restrictions in movement. Although manufacturing activities have commenced gradually with priority being the health and safety measures of staff and the manufacturing facilities, the operations are being gradually ramped up. The Group expects volumes to improve from current levels with the easing of the curfew restrictions, while the outlook beyond that will depend on the impact on the overall economy and resultant impacts on consumer spend, although it is possible that volumes will be lower than in 2018/19 given the discretionary nature of the products.

Given restricted movements, bulk/multipack sizes are expected to constitute a bigger share of the volume mix than single serve products in the immediate-term.

Although distribution is curtailed given current measures, this started to ease gradually, continuation of which will depend on the Government's stance. Managing the safety and health of our staff remains pivotal and a key challenge to the businesses. The businesses will continue to engage with its suppliers and distributors to better manage working capital and minimise credit risk, while streamlining the distributor network to ensure greater stability for the future. The industry group will continue to explore business opportunities in emerging online and delivery channels given restrictions in movements of consumers through both owned and third-party e-commerce platforms.

Medium to Long-Term (Beyond COVID-19)

Domestic demand conditions are expected to recover aided by a revival in economic activity and consumer sentiment in the medium-term.

The relatively low penetration of consumer food products in Sri Lanka in comparison to global averages and regional peers, highlights the significant potential for continued growth in these markets. Although off a relatively lower base, the Group expects growth from the outskirts of Colombo to be a significant contributor to growth, going forward, particularly in the medium to long-term. Against this backdrop, the industry group aims to capitalise on the envisaged growth in consumption by further expanding its distribution network, continuously innovating, expanding and improving its product portfolio and leveraging on brand equity.

Beverages

The opportunity for long-term growth in the CSD market maybe somewhat tempered, given increasing regulations and restrictions surrounding calorific sugar content in beverages, and an emergence of a increasingly health-conscious consumer base. Against this backdrop, global beverage manufacturers continue to engage in reformulation exercises to reduce the sugar content of CSD ranges, while extending the beverage portfolios to include non-CSD varieties, particularly healthier and more nutritious alternatives.

The prospects, however, for the beverage industry continue to be encouraging as these health-conscious consumers seek alternate beverage options. In a Sri Lankan context, packaged beverage consumption is well below the global average at 14 litres per capita further highlighting the growth potential available. CCS will capitalise on this opportunity through a strong pipeline of products catered to the ever-evolving lifestyles of consumers.

In line with its digitisation strategy, CCS will launch an upgraded Sales Force Automation System in the ensuing year which will incorporate advanced features to aid data analytics and decision-making. This system which will be integrated under 'Asset Eye', launched in the previous year, provides the business with real time data and better visibility.

Given changing market dynamics, the Beverage business in the medium-term will:

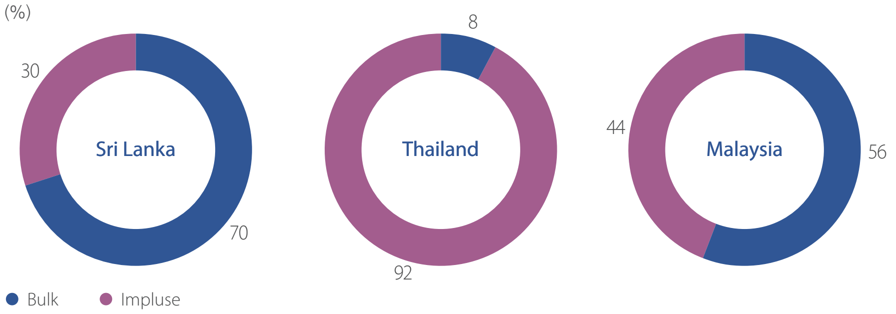
- Focus on consolidating its current CSD portfolio.
- Prioritise the diversification of its portfolio into non-CSD range, based on market opportunity and recovery.
- Focus on initiatives aimed at improving product margins, in both the CSD and non-CSD range.
- Consolidate and stabilise distributor networks, while exploring new operating models and alternate methods of working.
- Explore opportunities for alternative distribution channels given changing consumer behaviour and digitisation trends.

Frozen Confectionery

Global frozen confectionery markets have experienced a positive growth trajectory in the recent past, driven by modern lifestyle trends and increased discretionary spending. Single-serve ice creams, in particular, have gained traction as an 'on-the-go' convenience snack, leading to a shift in the bulk to impulse mix towards impulse products.

As with beverages, per capita ice cream consumption in Sri Lanka is below global averages at 2.5 litres, indicating the significant growth potential in this market. Going forward, the business projects the envisaged growth momentum of 'single serve' ice cream in the domestic market, to be the primary contributor to an increase in per capita ice cream consumption in Sri Lanka.

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.



Source: Company sources

In line with this shift, the business projects a similar trend for its frozen confectionery portfolio in the long-term. The new state-of-the-art facility in Seethawaka, which is currently at 60 per cent capacity utilisation, is expected to play a pivotal role in catering to this growth trajectory in the long run.

The strategic priorities of the Frozen Confectionery business for the short to medium-term are:

- Focus on consolidating its current frozen confectionery portfolio.
- Focus on initiatives aimed at improving product margins across the portfolio.
- Consolidate and stabilise distributor networks, while exploring new operating models and alternate methods of working.
- Explore opportunities for alternative distribution channels given changing consumer behaviour and digitisation trends.

Convenience Foods

The expansion and consolidation of the portfolio of the Convenience Foods business remains a strategic priority, in the short to medium-term. To this end, this business will:

- Place particular emphasis on establishing 'Ezy rice' in the market, which was launched in the year under review in line with the diversification strategy of the business.
- Develop product extensions to the convenience range, paving way for the business to increase its market share as a trusted and leading convenience meal provider.
- Focus on consolidating the dry distribution network and sales force to ensure readiness for the expected growth in volumes.
- Expand its retail sausages and crumbed food distribution in line with market demand.
- Place emphasis on growing the modern and general trade channels, particularly the organised small and medium entities under general trade.
- Focus on improving margins and rationalising the portfolio.

Retail

Immediate to Short-Term

RETAIL RECOVERY IN CHINA

- Although shopping malls and stores in China have recommenced operations rapidly, consumers have been slow to respond with most consumers limiting discretionary spend or resorting to online shopping.
- Government vouchers, aimed at boosting consumption, have been inadequate in boosting consumption.
- E-commerce companies foresee an opportunity to integrate operations with the bricks-and-mortar world, particularly in fresh foods.

Given the classification of the Retail sector as an essential service by the Government, the business has been in operation, although operations have been limited to delivery during periods of curfew. Revenue was negatively impacted during periods of curfew, as most of the outlets were located in high-risk districts and remained closed to the public – and given that online channels make up only a portion of lost sales from outlet closures. Outlets are now open to customers and will adhere to the new safety guideline issued by Government and health authorities. With the easing of curfew and levels of activity gradually increasing, the business has seen a significant improvement in sales, which is encouraging, although this may partly be due to some pent-up demand.

In the wake of the COVID-19 pandemic, the Supermarket business encountered challenges in catering to the unprecedented demand for online order fulfilment and operated with very limited staff. Amidst the numerous challenges, the online shopping platform of 'Keells' has been ramped up to handle over 15,000 orders per day as against 100 orders prior to the pandemic, through multiple delivery channels such as pre-packed items and more personalised services provided to its loyalty customers. The business will continue to ramp up its capability in serving customers through online delivery platforms through an omnichannel approach.

Whilst investment in the outlet expansion and the distribution centre is currently on hold, these will be evaluated depending on the ground situation and movement towards normalcy, on a case by case basis, with feasibilities also stress-tested under extreme sensitised scenarios.

"Given the classification of the Retail sector as an essential service by the Government, the business has been in operation during periods of curfew, although operations have been limited to delivery only."

Medium to Long-Term (Beyond COVID-19)

Supermarkets

The medium to long-term outlook for the modern trade industry in Sri Lanka remains promising, given the low penetration of modern trade outlets in the country and the steady conversion from general trade to modern trade, driven by demand for convenience, quality and value for money. 'Keells' is uniquely positioned to capitalise on this opportunity given its high brand equity.

OUTLOOK

In line with this expected growth, the business will re-assess the macroeconomic landscape and undertake expansion to its retail network. The business will continue to monitor potential areas for expansion both in urban and suburban areas, timing its expansion plans with maturity of these markets. The business will also evaluate a modular store format in pursuing its expansion plans, particularly in suburban areas, to enable better management of capital expenditure and operational costs.

Lease of land in prime locations and recruitment and retention of staff remain the key challenges faced during expansion within the industry. It is encouraging to note that the business has been able to secure a number of land plots for development as at 31 March 2020. The business will continue to place emphasis on retaining its labour force by further consolidating its recruitment processes and providing competitive incentives.

As stated in the JKH Annual Report 2018/19, the aggressive expansion plans of the business will continue to distort the margins in the short-term as a result of the time taken for the new outlets to ramp-up and the funding costs associated with the investments. In line with this envisaged trend, the business witnessed a gradual improvement in margins across the quarters during the year under review. Hence, EBITDA and EBITDA margins will be reflective of the underlying growth of the business, which will remain encouraging. Overall, EBITDA and PBT margins will reach a steady state in the medium-term once the aggressive outlet roll-out normalises, where the base of existing outlets in any case will be much higher and the business reverts to business as usual.

The business will continue the development and implementation of advanced data analytics use cases leveraging on the Nexus database comprising of ~1.3 million users, in partnership with a leading global consulting firm. The 4 use cases currently earmarked for deployment are expected to unlock significant value and address key business challenges across its value chain by using advanced data analytics capabilities and leveraging on the business' vast reserve of data. The initial pilots indicates signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. However, given the ground situation the business will primarily focus on the recovery action for the time being.

'Keells' will continue to focus on providing a unique and modern shopping experience to its customers through its 'fresh' promise, service excellence and quality within 5 activity pillars; product, price, place, people and the customer. In line with its revamped brand and brand promise, the business will continue to position itself as a destination for freshness and quality, whilst continually strengthening its processes and expanding its presence in the market.

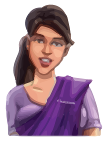
" 'Keells' will continue to focus on providing a unique and modern shopping experience to its customers through its 'fresh' promise, service excellence and quality within 5 activity pillars; product, price, place, people and the customer."

Office Automation

The business remains confident of the upward trajectory in demand for high quality office automation solutions given the expected recovery in economic activity and consumer spending, as well as increasing commercial activity in the country. The business 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.

JKOA will also continue to focus on measures aimed at improving productivity and efficiency in its sales and aftercare operations to ensure high quality customer service. To this end, the business will:

- Implement Internet of Things (IoT)-based concepts to ensure timely and efficient solutions to alerts and error codes, whilst ensuring lower down times while releasing IT personnel to perform their core jobs.
- Adopt Robotic Process Automation (RPA) through the introduction of software-based bots to handle repetitive tasks.
- Implement digital platforms to consolidate inventory management and improve distribution productivity.



Leisure

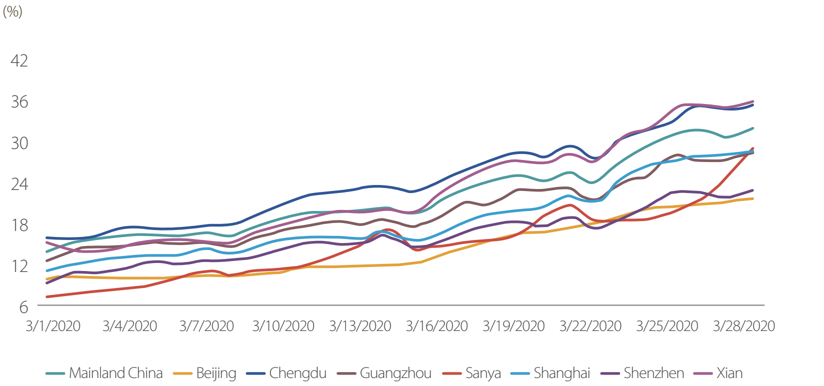
Immediate to Short-Term

Given the high degree of correlation between global economic and tourism recovery with the performance of the industry, and given the dependency on multiple source markets, the Group expects the Leisure industry group to be significantly impacted in the short to medium-term. This is evident in many countries across the world, where tourism has been one of the most affected industries. Acknowledging the significant impact the pandemic will have on this sector, the Sri Lanka Tourism Development Authority (SLTDA) has initiated a post COVID-19 action plan to revive the tourism sector. The timely re-launch of Sri Lanka's first focused global tourism promotion campaign will also be critical for the revival of the industry.

Sri Lanka and the Maldives have witnessed the imposition of stringent measures to control the transmission of COVID-19, and, as a result, have closed its airports for arrivals. Due to the resultant impact on tourist arrivals, the Group decided to suspend operations of its hotel properties in Sri Lanka and the Maldives, thereby saving on certain fixed overheads and other expenses, where the hotels continue to remain closed as at the date of this Report. Depending on Government directives to ease restrictions, the hotels can re-commence operations within a week although business is not expected to pick up sharply in the short-term due to stringent social distancing guidelines which are likely to be in place. The businesses continue to prepare themselves for the resumption in activity, no sooner domestic activity resumes and the airport is opened. Food and beverage revenue is expected to gradually recover once the hotels recommence operations. Ensuring the health and safety of Group employees and guests continue to be the Group's immediate priority. The businesses will, therefore, ensure that all required social distancing protocols and health checks are in place as advocated by international and local regulatory bodies. Given that the virus is well contained locally, the Group expects domestic tourism, in particular, to perform similar to other countries.

CHINESE HOTEL SECTOR RECOVERY

Mainland China Market-Level Occupancy in March 2020



Source: STR 2020

- Some of the above demand stems from corporate travel, primarily within the same province, as well as small-scale meetings, given the inherent value of face-to-face meetings.
- Although occupancy stood at ~10 per cent in the first week of March 2020, this has increased to 21.6 per cent and 28.6 per cent by the end of the month, in Beijing and Shanghai respectively.

Although 'Cinnamon red Kandy', jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, was originally envisaged to be launched in the latter half of CY2021, this project has been temporarily put on hold, given the prevailing situation.

At the inception of the outbreak of COVID-19 in Sri Lanka, the Group extended its fullest support to the Government at the time of national need and offered 'Trinco Blu by Cinnamon' as a quarantine centre to the Government, in the event the need arises.

Medium to Long-Term

Whilst the Group expects significant short-term challenges given the current situation, the Group remains confident that the prospects for tourism in the country in the medium to long-term remain extremely positive considering the diversity of the offering and the potential for regional tourism.

City Hotels

The City Hotels sector is expected to leverage on the growth potential for MICE tourism. Improved infrastructure in the city coupled with better conferencing and meeting facilities, similar to offerings at 'Cinnamon Life' is expected to bode well for MICE tourism. The City Hotels sector will continue to prioritise developing market-specific strategies aimed at catering to a diverse clientele, particularly given the envisaged addition of the 'Cinnamon Life' hotel to its portfolio.

The properties will continue to leverage on its unparalleled F&B offering, by continuing to strengthen its dedicated offerings and flagship restaurants. The sector will also continue to develop a pipeline of 'Cinnamon' events, aimed at developing Colombo as an entertainment hub in South Asia. 'Cinnamon Box Office' will continue to deliver world-class entertainment through acclaimed stage productions and variety shows.

Sri Lankan Resorts

The prospects for the Sri Lankan Resorts segment remains positive in the medium-term, given the increasing popularity of Sri Lanka as a holiday destination and the unique cultural and natural landscape of the country. The Group will continue its investments to expand the 'Cinnamon'

"Whilst the Group expects significant short-term challenges given the current situation, the Group remains confident that the prospects for tourism in the country in the medium to long-term remain extremely positive considering the diversity of the offering and the potential for regional tourism."

footprint across the island, although primarily in line with the Group's asset-light investment strategy. The sector will also leverage on its newly reconstructed flagship property 'Cinnamon Bentota Beach' to capture premium ARRs and further strengthen the 'Cinnamon' brand. The Group will also continue to evaluate opportunities to monetise its significant land bank in the Southern and Eastern coasts, thereby strengthening the new project pipeline for the segment.

Maldivian Resorts

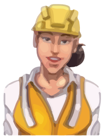
Notwithstanding the short-term impacts of COVID-19, the performance of the Maldivian Resorts segment is expected to continue on an upward trajectory in the ensuing years given the relatively stable political outlook for the country, ongoing infrastructure developments and the Government's focus on developing 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. 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.

Destination Management

The Destination Management sector will continue to evaluate opportunities beyond the traditional travel intermediary space through partnerships with B2B and B2C platforms. The sector will also continue to enhance the user experience of the website to encourage higher direct bookings whilst also improving process efficiency, scalability of operations and productivity of the business in catering to evolving customer needs.

OUTLOOK



Property

Immediate to Short-Term

The impact to the Property industry group earnings is relatively less in the short to medium-term as revenue recognition was primarily from the 'Tri-Zen' residential development project, which is still at early stages of construction. Although the construction sites of both 'Tri-Zen' and 'Cinnamon Life' were closed with the imposition of curfew, activity has since resumed with the operations continuing to be limited, given stringent regulations, reduced workers and new site arrangements.

The business continues to work closely with the contractor to understand the impact on the overall project to manage resources and deliverables. Once construction is allowed to re-commence completely and in full force, the Contractor will have to re-organise and re-plan their working arrangements taking into consideration the new health and safety risks and possibly new regulations that will be enforced to mitigate these risks.

The Group expects sales momentum to be impacted by subdued consumer sentiment and discretionary spending although a pick up is envisaged as completion draws nearer. The sales momentum at 'Cinnamon Life' is expected to be impacted to a higher degree given the luxury type nature of offering. The funding of 'Cinnamon Life' is in place, given the unutilised component of the committed syndicated loan facility and availability of funds earmarked for the project at the Holding Company.

"The impact to the Property industry group earnings is relatively less in the short to medium-term as revenue recognition was primarily from the 'Tri-Zen' residential development project, which is still at early stages of construction."

Medium to Long-Term (Beyond COVID-19)

Looking beyond the pandemic, property and real estate sectors are expected to continue its growth momentum, driven by demand for commercial and residential spaces, an emerging middle-class demographic, a pipeline of public infrastructure projects increasing urbanisation and connectivity. While these underlying factors will help drive overall demand, the property business in particular will need to assess and understand the possible lasting shifts in real estate demand given the significant short-term shift to remote working arrangements and what type of lasting effects this could have.

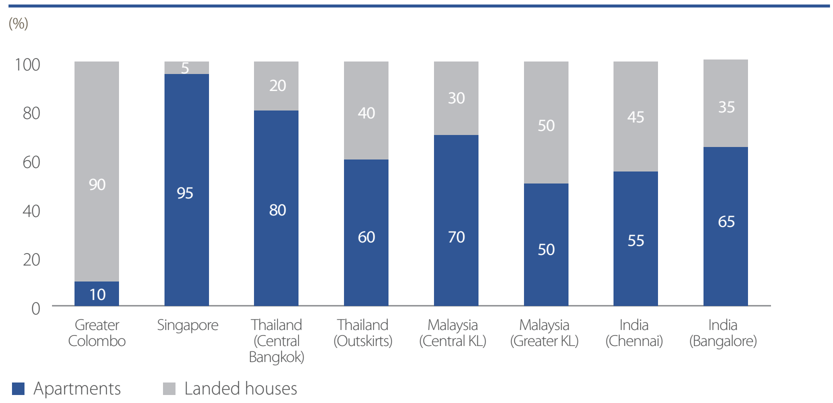
Policy consistency and stability by the new Government will be vital to strengthening consumer confidence and the corresponding realisation of the demand-side benefits in the market. Further, phasing out para-tariffs on construction material imports and incentives towards boosting mortgage loans would be an encouraging step in the right direction to making the Sri Lankan real estate market more inclusive and competitive in the region.

Residential Real Estate

Demand for housing solutions in Colombo and its suburbs continues on an upward trajectory on the back of drivers such as the expanding middle class demographic, increasing GDP per capita and increased commercial activity within Colombo as discussed. Further, increased investments and higher infrastructure spending by the Government, channelled towards enhancing connectivity to the commercial centres of the country, will stimulate demand in these areas and outer regions. With inhabitants increasingly moving towards urban areas as a result of improved connectivity and commercial activity, there is a robust emerging market for affordable, multi-family housing solutions on the outer rings of these commercial nodes.

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 of constructing single family homes. As indicated below, the proportion of landed housing to apartments within Colombo is also very high, giving rise to the need for smart housing solutions at an attractive price point 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 ~9 per cent, despite the scarcity of land representing an opportunity within the market.



Source: Analysis by John Keells Properties

The Group is well positioned to capitalise on the above mentioned opportunity through projects such as 'Tri-Zen' as well as other projects under the 'Metropolitan' and 'Suburban' segments. The Group expects to monetise the Group's extensive lank bank of prime real estate in Colombo and its suburbs to generate steady returns for the industry group.

Commercial Real Estate

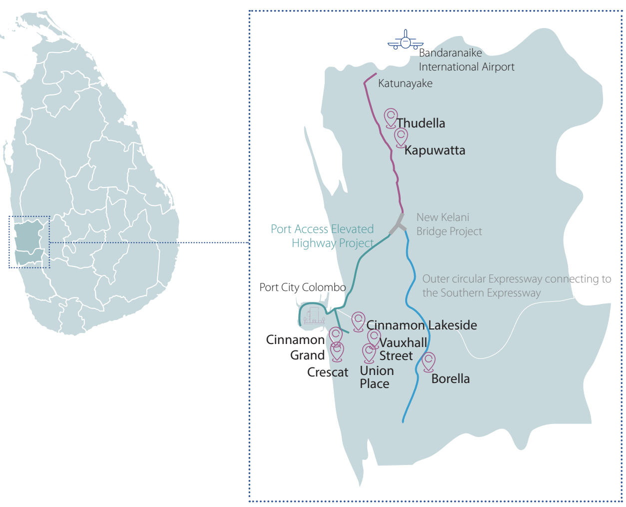
There is significant potential for high-end 'A-Grade' office space as more global companies move to establish offices within the city. The envisaged acceleration in economic growth coupled with the spill-over effects from large-scale investment projects such as PCC are further expected to drive demand in this segment by positioning Colombo as a commercial and financial hub. Given the absence of proper infrastructure and management facilities of the current supply in comparison to modern workspaces, there is currently an under supply in the market, As the demand growth may be tempered in the short to medium-term due to COVID-19 impacts, the industry group will continue to explore the expanding of its commercial real estate offering at the right time at attractive price points.

The commercial retail space of Colombo was on an upward trajectory, with the entry of players such as 'One Galle Face'. Although an influx of developments will result in increased competition within this segment, entry of international players to the market, in fact, augurs well for the industry in the long-term, given the improved image for the country and the regional marketing capabilities of such players.

Projects in the Pipeline

The industry group will position itself to undertake differentiated projects at the most opportune time under its three segments: 'Luxe', 'Metropolitan and 'Suburban', each catering to a different segment of the market, whilst incorporating luxury, convenience and smart living.

As depicted in the map below, the Property industry group's extensive land banks, both in Colombo and in the outer suburbs, will be monetised in the ensuing years to generate steady returns to maintain a strong pipeline of projects under development.



The extensive land bank held by JKH

Against this backdrop, Residential investments in the pipeline are as follows:

- The industry group aims to develop the 9.38 acre land bank held under 'Vauxhall Land Developments Limited' primarily as metropolitan housing, complemented by other supporting commercial uses, subject to market demand and supply dynamics.
- Master planning for the 18-acre land plot in Thudella was completed, with preliminary approvals obtained and design work initiated. This project, which will be the first development under the 'Suburban' segment, is envisaged to be a fully integrated community with ~2,000 units and will be developed and launched in phases.
- A property development at RHL, leveraging on the envisaged increase in demand following the construction of the Central Expressway.

The refurbished golf course will be launched in the second quarter of 2020/21 and is expected to experience a substantial uptick in demand following the completion of the Colombo-Kandy Expressway. Increased connectivity, which will contribute to an appreciation of land value, coupled with the repositioning of the golf course under Troon Management, is expected to position the property as a world-class golfing destination.

Cinnamon Life

Beyond the short-term challenges, 'Cinnamon Life' is expected to capitalise on the expected growth in tourism in the medium-term given its unique integrated product offering. Growth in key tourist segments such as regional business, leisure and MICE, in particular, will bode well for the project.

Refer Leisure industry group for a detailed discussion on the Outlook for the 'Cinnamon Life' project - page 86

Negotiations with key tenants for the retail mall and office space are currently underway, with various alternatives being considered for the retail space to ensure unique attractions and offerings, thereby creating footfall for the development. Offerings on par with international standards, will help position Sri Lanka as a regional shopping and entertainment hub. The penetration of retail malls is below that of regional peers such as Malaysia and Thailand, presenting a significant opportunity for 'Cinnamon Life', particularly given the envisaged growth in tourist arrivals over the medium-term. The Group is in discussion with prospective tenants for the office space at 'Cinnamon Life' which is earmarked for rental.

OUTLOOK

Financial Services

Immediate to Short-Term

Both the banking and insurance sectors are classified as essential services. A key focus of the Banking sector will be to manage liquidity, particularly given the debt moratorium announced by the CBSL, where eligible businesses can apply before 15 May 2020. The CBSL has implemented a few initiatives to support banks through measures to enhance liquidity and reduction of capital requirements.

The Insurance business has witnessed a disruption to underwriting of new business and collections. The Insurance regulator announced an extension for payment of renewal premiums which has impacted collections in the short-term. High risk in lapse rates of policies is also a key challenge in the short-term given the impact on consumer income. The business will endeavour to capitalise on opportunities, leveraging on the combination of protection and capital preservation life insurance offers, creating a mutually beneficial solution for the policyholder and the business.

It is expected that business volumes will improve with the easing of the curfew, while there will be a renewed focus on the transformation to digital platforms and other online methods of carrying out the business, particularly with regard to improving renewals and pursuing new policies through digital marketing channels. Initial pilots of various use cases in the Insurance business, also indicated strong signs of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. Based on the relevance and applicability, these use cases will be rolled out, as applicable. UA remains confident that these use cases will translate to business benefits post addressing these near-term challenges.

On the Banking front, the business expects a shortfall in revenue against the Bank's plan, given the issue of debt moratoria and interest rate ceilings imposed by the CBSL. Lacklustre credit growth on the back of reduced consumer spending is also expected to dampen loan growth, although growth is envisaged from liquidity needs of corporate clients. The Bank will cautiously explore new business opportunities that may present from time to time.

NTB has launched several initiatives aimed at curtailing expenses to minimise impact to profitability in line with the prevailing business environment. The Bank will proactively look to manage its asset quality which may weaken on back of cash flow stresses faced by the borrowers, especially in industries linked to tourism, during a period where delinquencies among small and medium-sized enterprises (SMEs) are increasing, resulting in increased loan loss provisions.

Supported by a strong capital base, healthy liquidity buffers and with robust risk management models, the Bank is confident that it has the required resources to withstand the potential impacts arising from this crisis as currently foreseen. To this end, the business will continue to proactively assess the developments in the environment in order to implement required actions while providing necessary support to the measures undertaken by the Government to revive the economy.

The Bank will continue to leverage on its various digital channels ('FriMi', Online and Mobile Banking) to expand its offerings and serve its customers, which will be pivotal under these circumstances.

As noted in previous Annual Reports, the Director of Bank Supervision of the CBSL has informed the Bank that the Monetary Board of the CBSL has permitted the John Keells Group and Central Finance Group to retain their respective current shareholdings in the Bank till 31 December 2020 and to reduce it to 15 per cent each with effect from that date. The Monetary Board had also required the Bank to limit the voting rights of the John Keells Group and Central Finance Group to 10 per cent each, with effect from 31 March 2018.

Medium to Long-Term (Beyond COVID-19)

Insurance

Prospects for the life insurance industry in Sri Lanka continue to be promising in the medium to long-term on the back of relatively low level of insurance penetration in comparison to regional markets, rising income levels and an ageing population. 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.

UA is uniquely positioned to capitalise on the aforementioned growth opportunities, leveraging on its brand strength and digital capabilities. The business will continue to execute a customer centric, ecosystem-based product strategy whilst improving service delivery and distribution capabilities.

Whilst the agency channel is expected to be the key driver of revenue growth, the business will also focus on growing the bancassurance channel, which has significant potential given the high density of bank branches in the country. The business will continue to explore strategic partnerships whilst developing unique products to be launched via this channel.

The insurance industry continues to be transformed by a digital revolution, with aspects such as big data and advanced analytics enabling a wide range of new business opportunities for insurance companies, leading to improved marketing, underwriting and customer retention. In order to capitalise on this opportunity, UA will continue its 'digital first' trajectory as it strives to establish itself as a leading digital life insurer in the country. To this end,

- Investments will be channelled towards technology to facilitate a wide range of business opportunities to deliver end-to-end operational excellence from the initial point of contact to underwriting and claim settlement.
- Place emphasis on data analytics for better insight in evaluating the market and devising innovative products and growth strategies in the near-term, in order to capitalise on its vast data reserves and fundamentally enhance decision-making capability.

Other initiatives:

- Continue its investments into the transformation of the agency and bancassurance cadres.
- Execution of strategies aimed at the continuous improvement of the agency force through skills development and the retention of this trained talent pool, particularly given the service-centricity aspects of the business transformation.

Banking

The Bank continues to see prospects to grow its book in selected verticals, leveraging on its strong customer relationships, digital offerings and flexible solutions. Given the change in banking regulations and the implementation of SLFRS 9 - Financial Instruments models, efficient management of credit costs and management of impairment will be a key priority, aided by the strengthening of monitoring and recovery processes. The Bank will continue to strike a balance between managing impairment costs and optimising real returns.

Recent investments and focus towards strengthening its digital infrastructure have placed NTB in a unique position to capture the opportunities presented by the industry's ongoing digital transformation. The Bank will continue to invest in further strengthening its IT infrastructure to ensure better customer service, innovative solutions and efficiency in operations. The expansion and positioning of 'FriMi' as a lifestyle application 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 will also remain a priority.

Other initiatives:

- Drive cost and process efficiencies by leveraging on past investments in automation, lean process re-engineering and activity-based costing measurement framework.
- Transform customer experiences through simple and intelligent solutions, by further augmenting digital infrastructure to drive internal efficiencies and automation.
- Invest in developing and transforming a young and agile team.

Stock Broking

Looking beyond the uncertainties surrounding the COVID-19 pandemic, the Group is of the view that the CSE is one of the most undervalued equity markets in the region. The current low valuations at present, further depressed given the pandemic, are expected to attract renewed investor interest and stronger market participation in the medium-term which should improve market turnover levels.

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 outbreak of the pandemic has forced businesses world-wide to adopt digital solutions to an extent never envisaged and has also tested the efficacy of business continuity and crisis management plans. As such, the Information Technology industry group is uniquely positioned to capitalise on its various skill sets to offer smart software solutions. To this end, the industry group will leverage on its capabilities to redefine the 'new normal', enabled by information/digital technologies with a confluence of platforms/ecosystems for businesses. The businesses will also expand its portfolio and market expansion strategies post, quick validation of opportunities, especially in the areas of Cloud computing, Software as a Service, as well as in other SMART technologies while reviewing other potential opportunities for managed services, outsourcing as well as off-shoring in light of the COVID-19 pandemic.

Medium to Long-Term (Beyond COVID-19)

Digital transformation will continue to drive and reshape industries and businesses, which is expected to accelerate post the containment of the pandemic. The Group expects to see greater traction in adoption of cloud based solutions and services across industries, with emphasis on cloud, mobility, big data, automation, IoT and mixed reality, among others. Data is envisaged to become the core ingredient driving the 'new normal' in terms of driving personalisation across the value chain. Digital transformation will become a key imperative for most businesses to stay relevant and drive innovation.

JKIT will continue to build and expand its current portfolio and capabilities whilst evaluating opportunities to develop new digital solutions and services across multiple industries, leveraging on its capabilities across applications, platforms, ecosystems to collaborate, co-innovate and co-create new possibilities for their customers. The business will also look to expand its portfolio of offerings beyond core ERP, enterprise applications, managed development centres, to expand its value proposition and competitive advantage.

Following the expected recovery of economic activity post COVID-19, JKIT will continue to evaluate opportunities for expansion, domestically and globally, with increased focus on MENA, SEA and Nordics. The business will also continue to leverage on its strategic partnerships with key players such as SAP, Microsoft and UiPath to expand its go-to-market (GTM) and client footprint whilst reviewing and consolidating its portfolio of solutions, products and services, in order to ensure relevance.

The penetration of business process outsourcing (BPO) services is relatively low in Sri Lanka, with businesses increasingly looking to outsource its non-core functions. Against this backdrop, Infomate is envisaged to capitalise on this opportunity and continue its growth momentum, increasing its market share through the acquisition of new clients, while focusing on further diversifying its operations and consolidating its staff cadre. The business will collaborate with JKIT to further automate its processes to improve the efficiency of its services.

"The pandemic outbreak has forced businesses world-wide to adopt digital solutions to an extent never envisaged possible and has also pushed businesses into uncharted territories by testing the efficacy of business continuity and crisis management plans. As such, the Information Technology industry group is uniquely positioned to capitalise on its various skill sets to offer convenient software solutions."

OUTLOOK

Plantation Services

Immediate to Short-Term

The Government's identification of tea as an essential service has encouraged all stakeholders to continue their respective business operations, even during periods where curfew was declared.

The factories continued to operate, with added measures pertaining to social distancing and health and safety, as advised by the health officials. The harvesting of green leaf by smallholders also continued with minimal disruption and arrangements were put in place for responsible collection. The timely conversion of the traditional tea auctions onto an electronic platform in April 2020 ensured limited interruption and is expected to be a major driver that will facilitate tea sales in the coming months. This also had a positive impact on tea prices which have improved due to exporters purchasing actively to cover orders. However, prices may be impacted going forward, if the pandemic in Europe, Russia, Iran, and other tea consuming countries further escalates. Declining oil prices and further devaluation of currencies may negatively impact tea prices.

Medium to Long-Term (Beyond COVID-19)

Looking beyond the impacts of the pandemic, the global demand for tea is expected to gain momentum in the medium to long-term on the back of global recovery aiding a rallying in currencies of key markets and rebound in global oil prices. The Sri Lankan tea industry is expected to benefit from growing demand for low grown tea in Middle Eastern markets and increased demand from emerging Ceylon Tea-drinking nations such as China, Germany and the U.S.

Adverse and increasingly unpredictable weather conditions on account of climate change and significant competition from other tea-producing nations such as Kenya remain as key challenges for the business. The business will continue to adopt increased regulations and controls on chemical usage in the tea plantation industry to meet stringent maximum residue levels (MRLs), when exporting to high value markets such as Japan and Taiwan.

In response to these concerns, the Ministry of Plantation Industries and Export Agriculture of Sri Lanka initiated discussions on a 10-year master plan for the Ceylon Tea industry known as 'Road Map 2030.' The public-private initiative with key stakeholders of the industry intends to rapidly modernise the entire tea value chain through technological intervention, promoting profitability and environmental sustainability. The commitment of the Sri Lanka Tea Board (SLTB) towards curtailing the adulteration of tea and maintaining the brand image of Ceylon Tea augurs well for players in the industry and the competitiveness of Ceylon Tea in the market by leveraging on brand presence and quality.

TSF will continue its policy of focusing on the quality of its products while also diversifying its manufacturing mix to meet market trends and mitigate risks. Cost optimisation and improving factory utilisation will remain as key focus areas for the business as outlined previously. Other initiatives include:

- Maintaining its reputation as a high-quality producer to the market, while exploring opportunities to cater to high value market segments.
- Developing products to suit high value markets such as Japan and Europe, while working towards adapting its products in line with the required MRLs.
- Leverage on its newly acquired Rainforest Alliance Certification for Broadlands Tea Factory in expanding market reach. TSF will also work towards obtaining the certification for its other factories.
- Continual evaluation of opportunities arising from the emerging Chinese market for Ceylon orthodox black tea.

The Warehousing business will continue to work closely with tea factories and producers to maintain and improve relationships while increasing warehouse utilisation. The business will evaluate further expansion opportunities based on requirements and market trends.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

The Strategy, Resource Allocation and Portfolio Management section aims to provide detailed insights to the manner in which investment decisions of the Group are made by analysing the performance of the overall portfolio, the overall strategic direction of the Group and the means by which capital is allocated for investments.

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.

It is pertinent to note, as evident from the past, that the Group strives to constantly align its portfolio of businesses with the growth sectors of the economy, both current and futuristic, and continuously endeavour to ensure that capital resources are efficiently employed in a manner that will expand the reach of the portfolio, ensure relevance, and give the ability to compete at the relevant levels, both locally and internationally.

COVID-19 INSIGHTS

Given the impacts to the Group and its businesses as a result of the likely economic fallout on the back of the COVID-19 pandemic and its impact on some of the Group's businesses, the preservation of capital resources and its efficient deployment becomes more pivotal than before. Against this backdrop, the Group will continue to assess the situation as it unfolds, manage the exposure to various businesses across the Group portfolio, to the extent possible, and assess all risks associated with the COVID-19 pandemic and its resultant effects when making its capital allocation decisions, being mindful that long-term decisions will need to be made in the context of uncertain and volatile conditions at present.

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 its operating models. To this end, businesses will proactively focus on re-assessing and re-aligning its business models, where relevant and applicable, to address the evolving dynamics of the industries, changing needs and evolving consumer behaviour.

From a capital allocation perspective, the strategy of the Group is unlikely to materially deviate as the focus over the last few years has been on driving a better balance in terms of the capital deployed. These include a greater emphasis on investing in consumer-focused businesses, managing the 'skew' in the quantum of capital deployed in the Leisure businesses by focusing on an asset-light investment model and evaluating means to unlock capital in the business, and the strategy to monetise the extensive land bank of the Group.

For a detailed discussion refer the Outlook section - **page 123**

To this end, following are some of the key strategic initiatives pursued across Group businesses in furtherance of achieving its short, medium and long-term objectives.

- Creation of sustainable value is at the forefront when making operational decisions. An aspect of Group-wide strategy focuses on driving growth and value that is consistent, competitive, profitable and responsible. In this regard, businesses place emphasis on maximising value by augmenting revenue channels, increasing market share and exploring opportunities by fostering a culture of disruptive innovation and digitisation.
- Focus is placed on maintaining flexible cost structures to ensure optimisation of costs and thereby driving efficiencies and profit maximisation. The Group's emphasis on cost optimisation, prudence and agility has continued to assist businesses in enduring challenging periods. Given the unprecedented nature of the COVID-19 pandemic, the Group has adopted additional stringent measures such as weekly dashboards which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives including a freeze on all non-essential capital expenditure and expense control measures to manage costs with the objective of preserving cash and managing its liquidity position.

"Noteworthy initiatives during 2019/20 in brand development include the brand change of Union Assurance and the partnership between 'Warner Bros. Entertainment Inc.' in the Frozen Confectionery business."

- Given that 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. Some noteworthy initiatives during 2019/20 include the brand change of Union Assurance (UA) and the partnership between 'Warner Bros. Entertainment Inc.' in the Frozen Confectionery business, as discussed under the Consumer Foods Industry Group Review.
- 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.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

- 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. Further, during the year under review, the Group's Data and Advanced Analytics Centre of Excellence was formally initiated as a division under the Holding Company, towards driving an advanced analytics transformation journey that would result in a greater degree of data-driven decision-making across the Group. The effects of the pandemic will be a catalyst for certain industries in accelerating their digitisation initiatives to encompass new process frameworks, whilst also creating opportunities for growth through collaboration and innovation. Given the early adoption of digitisation initiatives, the Group will leverage on expanding its digital infrastructure and digitisation efforts to capitalise on this opportunity.

- 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. All operational decisions factor the impact of the decision on the Group's sustainability goals and ensure that all possible actions are being taken towards reducing waste and adverse environmental impacts.

- Focus is also placed on developing life skills of communities and empowering them in overcoming social, economic and environmental challenges. The CSR initiatives of the Group are centrally planned and implemented by the John Keells Foundation.

Group businesses continue to adopt a 'Steering Wheel' tool that measures progress on a series of internal business Promises that cater to the needs of the Customer, Community, People, Operations and Finance, which feeds into a multi-dimensional approach to strategy formulation.

Given the Holding Company's diversified interests, resource allocation and portfolio management are imperative in creating value to all stakeholders through evaluation of the Group's fundamentals which are centred on the forms of Capital. Whilst the Group is presented with opportunities in diverse industries, it continues to follow its four-step, structured methodology indicated in the ensuing section, in evaluating its portfolio and thereby guiding investment and divestment decisions.

FINANCIAL FILTER

Cornerstone of the decision criteria based on the JKH hurdle rate

GROWTH FILTER

Evaluates the industry attractiveness and growth potential based on the industry life cycle

STRATEGIC FIT

Evaluates the long-term competitive advantage of a business/industry by closely evaluating the competitive forces, specific industry/ business risks, ability to control value drivers and the competencies and critical success factors inherent to the Group

COMPLEXITY FILTER

Considers factors such as sustainability, senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

The Project Risk Assessment Committee, a sub-committee of the Board, provides the Board with increased visibility of large-scale new investments and assists the Board to assess risks associated with significant investments, particularly at the initial stages of discussions, by providing feedback and suggestions in relation to mitigating risks and structuring arrangements. Intervention is mandatory as per the committee scope, if the investment cost exceeds Rs.5.00 billion.

REGULAR ASSESSMENT OF RISK AND REWARD

In measuring business performance and continuity of operations, all verticals and businesses within each industry Group are regularly assessed on key dimensions such as customer orientation, supplier concentration, bargaining power of both customers and suppliers, JV partner affiliations and dependence, cyclicality, regulatory structure, performance against the industry and Sri Lankan economy, procedural, regulatory or technological factors that obstruct or restrict operations and the current and potential competitive landscape, among others.

The capital structure for new ventures are stress-tested under various scenarios, which often leads to taking proactive measures, particularly in managing potential foreign exchange risks during both the development and operating phases. Further, ongoing projects are regularly tested and evaluated in partnership with independent and recognised parties to ensure clear, impartial judgment on matters relating to capital structure, economic implications and key risks.

JKH'S HURDLE RATE

The present hurdle rate of JKH is at 15 per cent which is a function of the weighted average cost of capital (WACC). The WACC is derived from the Group's cost of equity, cost of debt, target capital structure, tax rates and the value creation premium required over and above the WACC. Whilst the cost of debt has followed a downward trend, in general, during the period under review, the hurdle rate has not been revised on the basis that it is a long-term target, and any revision would be warranted only if the above factors are expected to sustain over the long-term.

Even though this hurdle rate is utilised as the initial benchmark rate in evaluating feasibility and opportunity in all projects of the Group, project-specific modifiers are also used in order to get a holistic view of the project under consideration. As such, a country specific risk modifier would be applied for investments with a high proportion of foreign currency investment costs and operational cash flows. To this end, the modifier would use a project specific cost of debt and foreign currency denominated equity return benchmark commensurate with the investment, which in turn would be comparatively analysed against projects with similar risk profiles.

"The Group aims to strike a balance between optimising immediate portfolio returns against returns in the future."

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 the return generating capabilities of the business against its capital employed and the earnings potential of the business or project. This is particularly relevant with projects such as 'Cinnamon Life' which has a long gestation period which impacts the short-term portfolio returns during the development phase of the project. The Group is conscious of the quantum of capital deployed to businesses, and to this end, places a strong emphasis on evaluating projects in a manner which optimises capital efficiency, especially in capital intensive businesses such as Leisure. In order to manage the effective quantum of capital deployed, the Group will continue to explore investment structuring options such as asset-light investment models for future hotel projects and monetise the land bank of the Group in such a manner that generates a return from the strategic parcels of land held.

Being a portfolio of businesses, the Group has benefited from contributions from different businesses at varying points of time based on their growth cycle and correlation with overall economic growth in the country. Over the last few years, the Group has witnessed a shift in the composition of its earnings with a greater contribution from higher ROCE earning industry groups such as Consumer Foods, Retail, and Financial Services. The conscious and planned strategies of driving growth in these industry groups will, all things being equal, contribute towards an improvement in the ROCE for the Group, whilst concurrently driving absolute earnings growth.

LONG-TERM ASPIRATIONS

The Group continually endeavours to deliver value to our stakeholders, particularly shareholders. To this end, the Group has in place financial goals which are continually monitored to ensure that the Group is moving progressively towards its vision and objectives, although recent performance has been affected by the effects of the Easter Sunday attacks and capital has been impacted as a result of the 'Cinnamon Life' project and its gestation period.

Indicator (%)	Goal	Achievement		
		2019/20*	2018/19	2017/18
EBIT growth	>20	(22.6)	(24.2)	20.7
EPS growth (fully diluted)	>20	(31.4)	(26.5)	27.9
Cash EPS growth (fully diluted)	>20	(24.7)	(15.6)	22.2
Long-term return on capital employed (ROCE)	15	4.8	7.5	11.9
Long-term return on equity (ROE)	18	4.5	7.5	11.1
Net debt (cash) to equity	50	22.7	1.9	(14.9)

** Growth rates for 2019/20 have been adjusted for the impact of SLFRS 16 - Leases. It is also noted that 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.*

Whilst the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, the Group expects the short-term impact on performance to be material, particularly for the tourism-focused businesses, thereby exerting pressure on ROCE.

An industry group and sector-wise breakdown of return on capital employed (ROCE) is as follows:

Industry Group/Sector	2019/20			2018/19
	Capital Employed (Rs.million)	Effective Capital Employed (Rs.million)	ROCE (%)*	ROCE (%)
Hotel Management	324	324	(26.6)	53.2
City Hotels	33,077	26,337	(0.1)	3.1
Sri Lankan Resorts	18,576	14,782	(1.0)	6.3
Destination Management	1,205	1,192	(6.9)	28.3
Maldivian Resorts	38,288	30,753	(1.5)	2.2
Transportation	22,237	22,156	18.9	20.9
Consumer Foods	11,426	9,448	23.3	21.5
Retail	21,859	18,295	16.0	13.2
Financial Services	18,972	17,607	14.9	18.0
Property (excl. Cinnamon Life)	37,086	25,790	1.6	0.9
Cinnamon Life	100,383	97,823	(0.1)	(0.1)
Information Technology	1,527	1,527	23.3	14.8
Plantation Services	2,949	1,869	(0.2)	14.5
Core-operational industry groups/sectors	307,908	267,903	4.6	6.6
Holding Company, including Centre Functions**	36,723	36,715	6.6	11.1
Group	344,631	304,619	4.8	7.5

** In calculating ROCE for 2019/20, which is based on the average capital employed for the period, capital employed for 2018/19 has been adjusted for impacts from SLFRS 16 – Leases.*

*** Primarily encompasses interest income, including exchange gains on US Dollar cash holdings, on the Holding Company's cash and cash equivalents.*

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

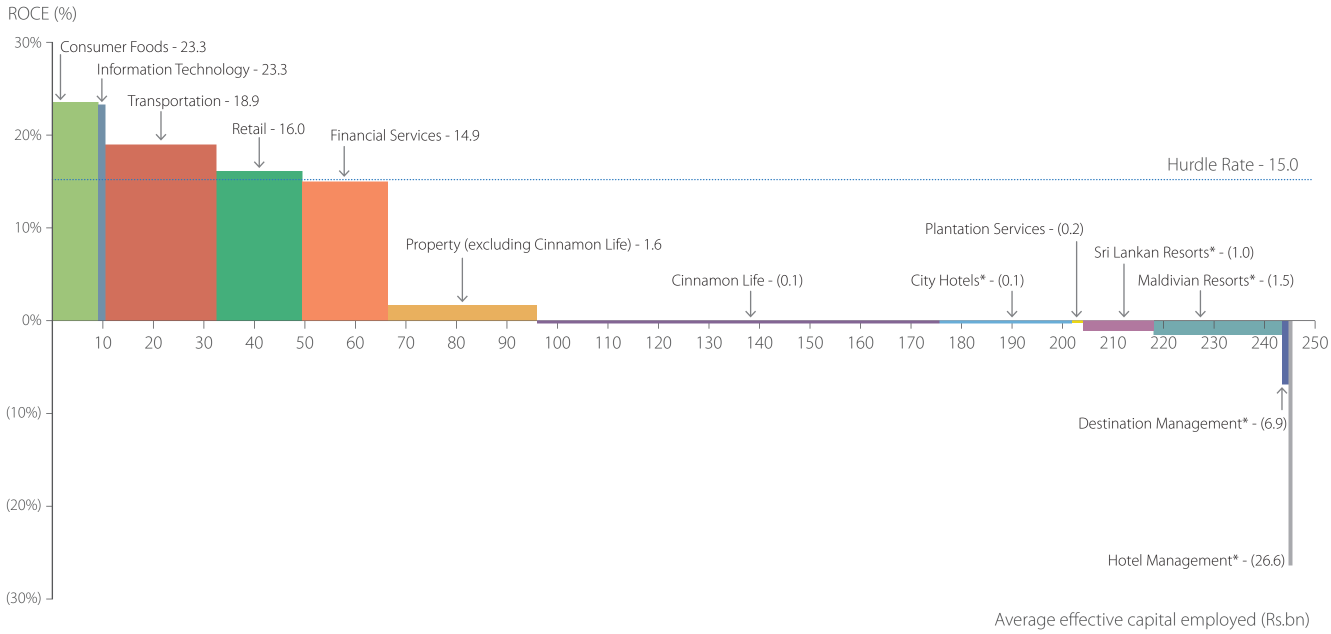
INSIGHTS

- The significant cash reserves of the Company are primarily earmarked for equity commitments of 'Cinnamon Life'. Although the cash balance of the Group is currently generating returns below the Group's hurdle rate, exerting pressure on Group ROCE, given the unprecedented nature of the COVID-19 pandemic, the presence of adequate cash reserves will enable the Group to manage its liquidity requirements better. 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.
- As outlined above, the Group has adopted weekly dashboards which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives including a freeze on all non-essential capital expenditure and stringent expense control measures aimed at further strengthening its financial position.
- Although the realisation of benefits from the Group's recent investments was expected to accrue from 2020/21 onwards, this is expected to defer further, given impacts arising from the pandemic.
- In order to capitalise on opportunities arising in the real estate and property development industry, the Group will primarily focus on monetising its extensive land bank in the medium to long-term and expand its land bank, very selectively, for strategic parcels of land which complement the land bank of the Group.
- The Group continues to be conscious of the quantum and composition of capital deployed in its businesses, and, to this end, will focus on managing its portfolio in a manner that optimises capital efficiency, such as with the asset-light investment strategy for the Leisure industry group.
- Looking beyond the COVID-19 pandemic, the Group will continue to invest in the identified industry groups, which are aligned with the key growth sectors of the economy, as the fundamentals driving these industry groups continue to remain positive.

PERFORMANCE OF THE CORE-OPERATIONAL PORTFOLIO

The ensuing discussion is limited to the revenue generating entities of the Group, as this is more reflective of the Group's performance, given its conglomerate setting.

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 61**



**The Leisure industry group's profitability was negatively impacted on account of the Easter Sunday terror attacks and the global COVID-19 pandemic, both of which reduced tourist arrivals.*

Transportation

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	18.9	=	12.6	x	1.35	x	1.11
2018/19	20.9	=	12.9	x	1.46	x	1.11

The ROCE of the Transportation industry group decreased to 18.9 per cent from 20.9 per cent in 2019/20. The decrease in ROCE was primarily driven by a reduction in asset turnover and, to a lesser extent, pressure on EBIT margins. The reduction in asset turnover was primarily attributable to the increase in the asset base of the Group's Bunkering business and the investments made in the Ports and Shipping business. The Bunkering business experienced a marginal decline in revenue due to lower volumes which also impacted the asset turnover.

Consumer Foods

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	23.3	=	15.1	x	1.12	x	1.38
2018/19	21.5	=	13.3	x	1.13	x	1.43

The Consumer Foods industry group recorded an increase in ROCE to 23.3 per cent from 21.5 per cent in the previous year, primarily driven by improved profitability of the Frozen Confectionery and Beverage businesses as a result of higher operating leverage and margin expansion in select SKUs. The industry group also benefited from various tax relief measures introduced by the Government.

"The improvement in margins of the Supermarket business is as envisaged, with margins of new outlets continuing to normalise over time."

Retail

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	16.0	=	4.9	x	2.20	x	1.50
2018/19	13.2	=	2.3	x	3.03	x	1.91

The ROCE of the Retail industry group increased to 16.0 per cent from 13.2 per cent in 2018/19, primarily driven by improved EBIT margins, notwithstanding a decline in asset turnover and capital structure leverage. The improvement in margins of the Supermarket business is as envisaged, with margins of new outlets continuing to normalise over time, given it is typically lower in the first 12 months of operations, and revenue increasing on account of an increase in customer footfall.

Total assets in the Supermarket business recorded a 62 per cent increase during the year, driven by the right-of-use assets created with the adoption of SLFRS 16 – Leases from 1 April 2019, largely a one-off impact since the leases of existing stores were added to the asset base, and on account of the outlet expansions which took place in the year under review, which resulted in a decline in asset turnover.

Leisure

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	(1.0)	=	(4.9)	x	0.19	x	1.12
2018/19	4.4	=	12.0	x	0.32	x	1.15

A decline in EBIT margins was the primary reason for the decline in the ROCE of the Leisure industry group.

The significant decline in the industry group's profitability was on account of the Easter Sunday terror attacks and the resultant impact on tourist arrivals to the country. Performance across the industry group was further impacted from the fourth quarter onwards with the outbreak of the COVID-19 pandemic globally.

Against this backdrop, the ROCE of the City Hotels sector and the Sri Lankan Resorts segment declined to negative 0.1 per cent [2018/19: 3.1 per cent] and negative 1.0 per cent [2018/19: 6.3 per cent], respectively, due to the decrease in average room rates and occupancies.

The ROCE of the Maldivian Resorts segment decreased to negative 1.5 per cent [2018/19: 2.2 per cent], mainly on account of the closure of 'Cinnamon Dhonveli Maldives' for refurbishment, and higher administration expenses stemming from the start-up costs relating to 'Cinnamon Hakuraa Huraa Maldives' and the new resort, 'Cinnamon Velifushi Maldives'. Although the Maldivian Resorts segment has been included in the graph to ensure capturing of all sectors/industry groups, for better insight, the return generated from the Maldivian Resorts segment should be appraised against a return of a comparable USD-financed asset, as opposed to the Group Rupee hurdle rate of 15 per cent which is based on the Rupee risk-free rate.

The creation of right-of-use assets with the adoption of SLFRS 16 – Leases was a key contributor to the increase in assets of the Leisure industry group, particularly the Maldivian Resorts segment, during the year under review. Additionally, the increase in the asset base is also attributable to impacts stemming from investments in new properties and refurbishments of key hotel properties, which have now been completed.

Lower management fees, given the subdued performance of the hotels under the 'Cinnamon' umbrella, adversely impacted the Hotel Management arm. In this light, ROCE for the sector stood at negative 26.6 per cent, against 53.2 per cent in 2018/19.

The ROCE of the Destination Management sector declined to negative 6.9 per cent from 28.3 per cent as a result of lower profitability stemming from a decrease in tourist arrivals.

"The significant decline in the Leisure industry group's profitability was on account of the Easter Sunday terror attacks and the resultant impact on tourist arrivals to the country. Performance across the industry group was further impacted from the fourth quarter onwards with the outbreak of the COVID-19 pandemic globally."

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Property

	ROCE* (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	1.6	=	41.1	x	0.04	x	1.03
2018/19	0.9	=	41.6	x	0.02	x	1.04

** The ROCE of the Property industry group excludes 'Cinnamon Life'.*

The ROCE of the Property industry group, excluding 'Cinnamon Life', stood at 1.6 per cent [2018/19: 0.9 per cent]. The improvement in ROCE is primarily attributable to the commencement of revenue recognition of the 'Tri-Zen' project and a fair value gain on investment property at 'Vauxhall Land Developments Limited'.

It is pertinent to note that given the nature of land banking, the ROCE of the Property industry group is suppressed below the Group's hurdle rate, although, as discussed before, the ROCE in the medium-term will improve with the monetisation of the land bank.

Cinnamon Life

During the year, Rs.10.35 billion of cash equity and Rs.24.11 billion of debt was infused to 'Cinnamon Life' to finance the development costs of the project. As at 31 March 2020, the cumulative figures stood at Rs.41.56 billion and Rs.41.04 billion for cash equity and debt, respectively. The aforementioned cash equity investment at 'Cinnamon Life' excludes the land transferred by JKH and its subsidiaries at the inception of the project. Note that all project-related costs including interest costs, unless explicitly mentioned, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

"Given the nature of land banking, the ROCE of the Property industry group is suppressed below the Group's hurdle rate until the monetisation of such assets."

Financial Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	14.9	=	14.0	x	0.35	x	3.09
2018/19	18.0	=	16.0	x	0.37	x	3.02

The Financial Services industry group recorded a ROCE of 14.9 per cent compared to 18.0 per cent recorded in the previous financial year. The decrease in the ratio is attributable to the insurance business (UA). Whilst the average capital base of UA recorded an increase, performance was impacted by reduced profitability at UA, as discussed under the Financial Services Industry Group Review section of this Report.

Other, including Information Technology and Plantation Services

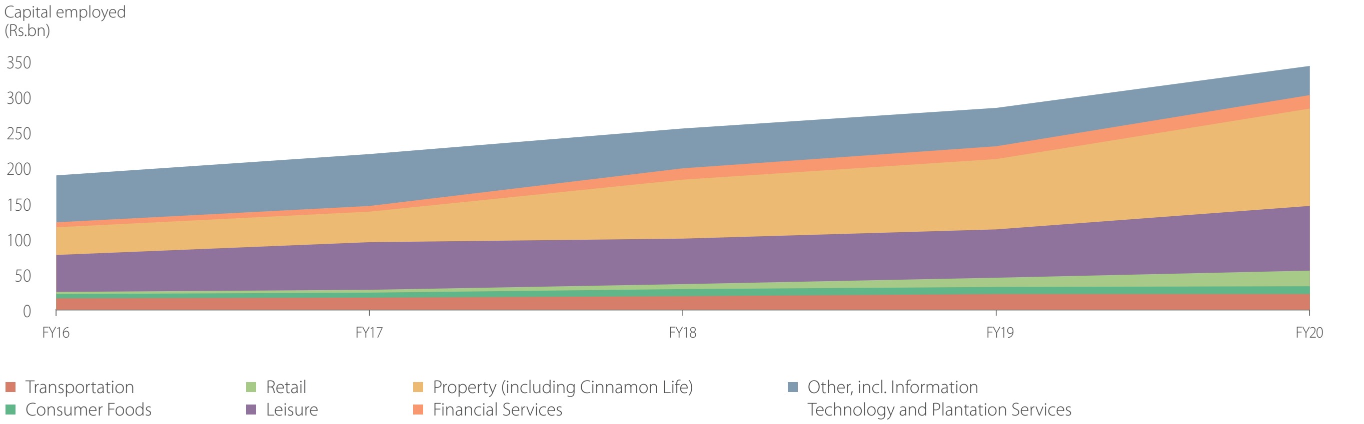
	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2019/20	6.6	=	82.9	x	0.08	x	1.04
2018/19	11.4	=	166.2	x	0.07	x	1.04

The ROCE of the Information Technology sector increased to 23.3 per cent [2018/19: 14.8 per cent] driven by improved performance at JKIT and Infomate due to onboarding of new clients. The ROCE of the Plantation Services sector decreased to negative 0.2 per cent compared to 14.5 per cent recorded in 2018/19 due to adverse weather conditions affecting production and a decline in tea prices.

Given that the Holding Company contributes to a majority of the industry group's capital employed base, the ROCE of the Other, including Information Technology and Plantation Services industry group stood at 6.6 per cent [2018/19: 11.4 per cent]. EBIT margins recorded a decline mainly due to a decrease in interest income at the Holding Company, on account of lower cash and cash equivalents due to the planned equity infusions to fund the equity commitments of the 'Cinnamon Life' project.

PORTFOLIO MOVEMENTS

Portfolio movements over the past five years are illustrated below.



	2016/17	2017/18	2018/19	2019/20
Investments	Invested Rs.4.34 billion in Waterfront Properties (Private) Limited.	Invested Rs.9.41 billion in Waterfront Properties (Private) Limited.	Invested Rs.6.75 billion in Waterfront Properties (Private) Limited.	Invested Rs.10.35 billion in Waterfront Properties (Private) Limited.
Investments	Invested Rs.12.06 million in John Keells Stock Brokers (Private) Limited.	JKH was allotted 18,109,079 ordinary non-voting convertible shares in Nations Trust Bank PLC as part of the Rights Issue that subscribed to its entitlement of rights and applying for additional shares. The JKH investment amounted to Rs.1.45 billion with effective economic interest of JKH in NTB rising to 32.16 per cent.	Invested Rs.164 million in Glennie Properties (Private) Limited, to purchase 12.12 perches of land in Glennie Street, Colombo 2.	Invested Rs.95.4 million in Nations Trust Bank PLC to purchase 1.15 million non-voting shares, with effective economic interest of JKH in NTB rising to 32.57 per cent.
Investments	Invested Rs.43.17 million in Saffron Aviation (Private) Limited, the operating company of the domestic aviation operation 'Cinnamon Air'.	Invested a total of Rs.6.18 billion in JK Land (Private) Limited. Of this, Rs.4.37 billion was utilised to purchase 334 perches of land from a subsidiary of CT Holdings PLC. Rs.1.80 billion was infused for the development of 'Tri-Zen', which was recently launched.	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'.
Investments		Increase in JKH's shareholding from 50 per cent to 100 per cent through the acquisition of 11 million shares of Transware Logistics (Private) Limited (TWL) for a consideration of Rs.305 million.	Invested Rs.1.06 billion in LogiPark International (Private) Limited for the construction of a multi-use International Logistics Centre.	KHL invested Rs.145 million in Indra Hotels and Resorts Kandy (Private) Limited, for the preliminary construction works of 'Cinnamon red Kandy'.
Investments		CCS invested Rs.989 million in the Colombo Ice Company (Private) Limited, to construct a new ice cream production facility in Seethawaka.	KHL invested Rs.817 million in Ceylon Holiday Resorts Limited and increased its shareholding from 99.1 per cent to 99.3 per cent.	
Investments			Further to the investment made in 2017/18, CCS invested a further Rs.450 million in The Colombo Ice Company (Private) Limited.	
Divestments		JKH divested 915,268 ordinary shares of UA, towards meeting the minimum float requirement of the CSE.	The Group reduced its effective holding of Union Assurance PLC by 2.36 per cent to 90.0 per cent for a consideration of Rs.290 million to fulfil the minimum public holding requirement for the 'Diri Savi' Board of the CSE.	

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 31/03/2020	1,318,550,768
Public shareholding as at 31/03/2020	99.15%
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

Compared to the weak performance witnessed across most global market indices in CY2018, CY2019 marked a positive year for global markets – in this regard the MSCI World Index gained 24 per cent. For US equities, CY2019 was almost entirely positive, with all 3 major indices recording significant gains. During the year, the S&P 500, Nasdaq Composite and Dow Jones Industrial Average gained 29 per cent, 35 per cent and 22 per cent, respectively, with the indices reaching all-time highs. The accommodative monetary policy stance of the US Federal Reserve, easing trade tensions between US and China, a thriving technology sector and increased clarity on Brexit were some of the main factors that boosted the markets. Similar gains were witnessed elsewhere in the world, with the STOXX Europe 600 gaining 23 per cent, China's Shanghai Composite gaining 22 per cent, and Japan's Nikkei 225 gaining 18 per cent, respectively during CY2019. Although equity markets rallied significantly in CY2019, equity prices world-wide have significantly declined to-date, given uncertainty surrounding the COVID-19 pandemic. A strong US Dollar coupled with falling oil prices, further exacerbated the impact on emerging markets, with emerging market equities marginally underperforming against developed markets during this period.

In line with global and regional markets, both the All Share Price Index (ASPI) and the Standard and Poor's Sri Lanka 20 (S&P SL20) Index of the Colombo Stock Exchange (CSE) declined by end 2019/20 compared to 2018/19, as evident from the ensuing table. It is pertinent to note that the decline in Sri Lankan equity markets is primarily attributable to the impact of COVID-19. Prior to the effects of the pandemic, the ASPI stood at 6,129 points as at end-CY2019, a 10 per cent gain against CY2018, primarily driven by the political clarity post the conclusion of the Presidential Election in November 2019, a conducive policy rate environment and overall strengthening of equity markets globally as described above. An increase in investor participation led to the average daily turnover increasing by 17 per cent compared to 2018/19. Total net foreign outflows were recorded at Rs.11.06 billion during the year compared to Rs.26.27 billion last year. Market price-to-earnings ratio (PER) decreased to 8.4 times in 2019/20 [2018/19: 8.7times].

Indices

	Value		
	31 Mar 2020	31 Mar 2019	%
MSCI			
All Country World Index	442.35	508.55	(13)
All Country World Index excluding USA	229.69	279.79	(18)
World (23 Developed markets)	1,852.73	2,107.74	(12)
USA	2,459.87	2,701.54	(9)
Europe	1,341.52	1,635.23	(18)
Europe, Australasia and Far East	1,559.59	1,875.43	(17)
Emerging Markets	848.58	1,058.13	(20)
Frontier Markets	423.47	548.19	(23)
Peer			
SENSEX	29,468.49	38,672.91	(24)
JKSE	4,538.93	6,485.96	(30)
STI	2,481.23	3,212.88	(23)
KLSE	1,350.89	1,643.63	(18)
Local			
ASPI	4,571.63	5,557.24	(18)
S&P SL20	1,947.42	2,738.95	(29)

Key Market Indicators

	2019/20	2018/19	%
Overall CSE market capitalisation (Rs.billion)	2,128.27	2,605.90	(18)
Net foreign inflows/(outflows) (Rs.billion)	(11.06)	(26.27)	(58)
Average daily turnover (Rs.million)	817.82	697.48	17

Market Information of the Ordinary Shares of the Company

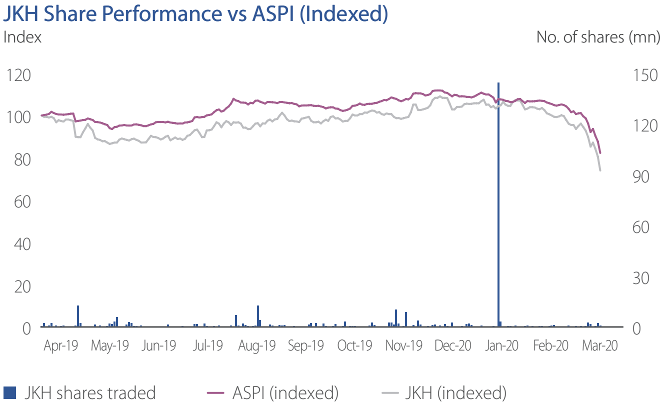
	2019/20	2019/20				2018/19
		Q4	Q3	Q2	Q1	
Share Information						
High (Rs.)	**172.00**	168.80	172.00	158.80	156.00	164.80
Low (Rs.)	**113.90**	113.90	151.00	139.00	134.80	126.00
Close (Rs.)	**115.40**	115.40	167.60	153.80	138.70	156.00
Dividends paid per share (Rs.)	**3.50**	1.50	1.00	-	1.00	6.00
Trading Statistics						
Number of transactions	**22,329**	6,639	5,435	5,314	4,941	24,782
Number of shares traded ('000)	**332,433**	166,665	59,475	55,585	50,708	341,191
Value of all shares traded (Rs.million)	**51,311**	26,431	9,405	8,336	7,140	50,630
Average daily turnover (Rs.million)	**223**	551	154	134	121	211
Percentage of total market turnover (%)	**28**	50	18	15	27	30
Market capitalisation (Rs.million)	**152,161**	152,161	220,948	202,735	182,831	205,635
Percentage of total market capitalisation (%)	**7.1**	7.1	7.7	7.5	7.2	7.9

JKH SHARE

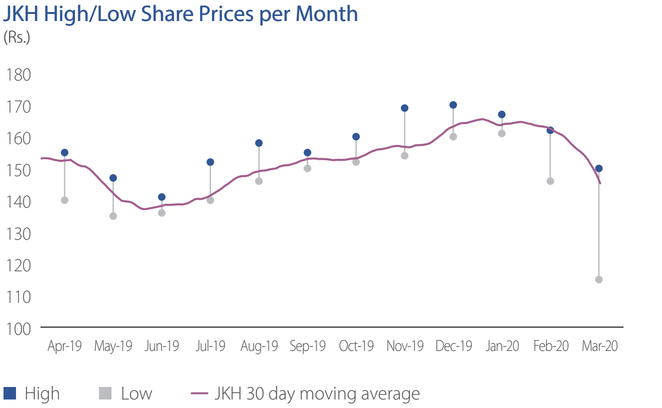
The JKH share declined by 26 per cent to Rs.115.40 as at 31 March 2020 from Rs.156.00 on 31 March 2019. The performance of the JKH share remained largely correlated with movements of the ASPI, as exhibited in the graph below.

As evident from the graph below, 141,854,717 ordinary shares of the Company, which amounts to 10.76 per cent of the issued share capital of the Company, traded on 9 January 2020, whereby Northern Trust Co S/A Broga Hill Investments Limited sold its stake to Citigroup Global Markets Limited Agency Trading Prop Securities A/C at a price of Rs.160.00 per share.

JKH Share Performance vs ASPI (Indexed)



JKH High/Low Share Prices per Month



The beta of the JKH share as of 31 March 2020 stood at 1.37. The beta is calculated on the daily JKH share movements against movements of the ASPI for the five-year period commencing 1 April 2015 to 31 March 2020. The compounded annual growth rate (CAGR) of the JKH share over the 5-year period stood at a negative 5.6 per cent, compared to that of the market which stood at a negative 7.9 per cent for the same period.

ISSUED SHARE CAPITAL

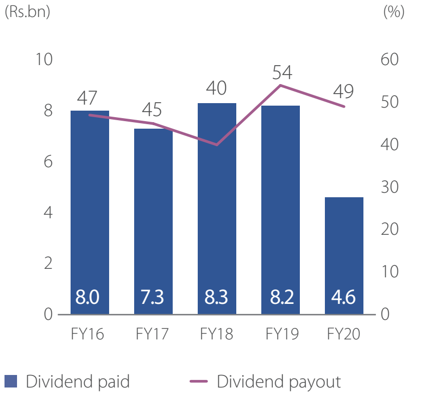
The number of shares in issue by the Company increased marginally to 1,318,550,768 as at 31 March 2020 from 1,318,173,279 as at 31 March 2019 due to the exercise of employee share options (ESOPs). Further details of the Company's ESOP plans are found in the ensuing section of this discussion. The Global Depository Receipts (GDRs) balance in ordinary share equivalent remained at 1,320,942.

"141,854,717 ordinary shares of the Company, which amounts to 10.76 per cent of the issued share capital of the Company, traded on 9 January 2020, whereby Northern Trust Co S/A Broga Hill Investments Limited sold its stake to Citigroup Global Markets Limited Agency Trading Prop Securities A/C at a price of Rs.160.00 per share."

DIVIDEND

Given the downturn of profits in the Group's Leisure businesses due to the Easter Sunday terror attacks which occurred in April 2019, a first interim dividend of Rs.1.00 per share was paid in November 2019. However, given the gradual recovery witnessed in the Leisure businesses towards the latter half of the year, the second interim dividend paid in February 2020 was increased to Rs.1.50 per share reflecting the positive momentum and outlook for the performance of the Group's businesses, at that point of time, prior to the impact of the COVID-19 pandemic.

Distributions to Shareholders and Payout Ratio



However, given the volatility and uncertainty at this juncture of time, and the significant impact, yet again, on the performance of the Group's Leisure business, it was decided that it would be prudent to defer the payment of a final dividend and assess its dividend payment once there is greater clarity and visibility on the impact to the performance of the Group's businesses.

Accordingly, the Company declared a dividend per share of Rs.2.50 for the financial year 2019/20, compared to the Rs.5.00 per share declared for the financial year 2018/19. The total dividend paid for the financial year was Rs.4.61 billion [2018/19: Rs.8.19 billion]. The Group payout ratio was at 49 per cent during the year [2018/19: 54 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 given the unprecedented circumstances, support its investment pipeline in the medium to long-term and optimise its capital structure.

EARNINGS PER SHARE

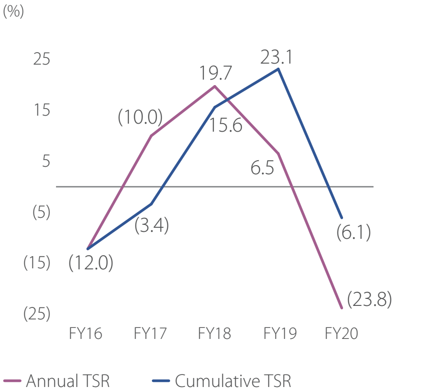
The fully diluted earnings per share (EPS) for the financial year decreased by 31 per cent to Rs.7.14 per share [2018/19 adjusted for SLFRS 16 - Leases: Rs.10.40] due to a decrease in total profit attributable to equity holders. On a recurring earnings basis, the diluted EPS decreased to Rs.7.08 in the current financial year from Rs.9.25 (adjusted for SLFRS 16 - Leases) recorded in the previous financial year, thus representing a decrease of 24 per cent.

The items affecting profitability are discussed, in depth, in the Management Discussion and Analysis section of this Report.

TOTAL SHAREHOLDER RETURN

The total shareholder return (TSR) of the JKH share stood at negative 23.8 per cent for the period under review, while the total return index of the S&P SL 20 recorded a negative return of 25.6 per cent. On a cumulative basis, over a five-year holding period, the share inclusive of dividends and warrants issued posted an annualised total return of negative 1.3 per cent.

Total Shareholder Return



Note: Includes the proportionate impact arising from the ownership of Warrants and Share Repurchase.

Price Earnings Ratio

Index	2019/20	2018/19
JKH	16.2	14.0
CSE	8.4	8.7
SENSEX	17.8	28.9
KLSE	17.6	20.4
JCI	15.7	20.9
STI	13.7	13.9

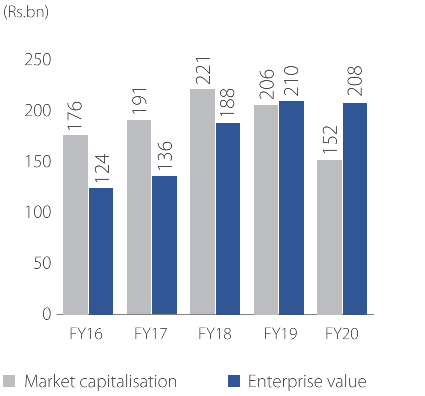
MARKET CAPITALISATION AND ENTERPRISE VALUE

The market capitalisation of the Company decreased by 26 per cent to Rs.152.16 billion as at 31 March 2020 [2018/19: Rs.205.64 billion]. As at the financial year end, JKH represented 7.1 per cent of the total market capitalisation of the CSE [2018/19: 7.9 per cent].

The enterprise value of the Group decreased by 1.2 per cent to Rs.207.53 billion as at 31 March 2020 [2018/19: Rs.210.02 billion].

As at 31 March 2020, JKH had a float-adjusted market capitalisation of Rs.150.87 billion and 11,737 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



Summary Indicators

Index	2019/20	2018/19	2017/18
Market capitalisation (Rs.billion)	152.2	205.6	221.4
Enterprise value (Rs.billion)	207.5	210.0	187.9
EV/EBITDA (times)	9.4	8.5	5.8
Diluted EPS (Rs.)	7.1	11.1	15.2
PER (diluted)	16.2	14.0	10.5
Price to book (times)	0.7	1.0	1.0
Price/cash earnings (times)	10.7	10.9	9.3
Dividend yield (%)	3.0	3.8	3.8
Group dividend payout ratio (%)	49.0	53.7	39.6
Net assets per share	164.5	154.9	151.7
TSR (%)	(23.8)	6.5	19.7

Composition of Shareholders

	31 Mar 2020			31 Mar 2019		
	Number of Shareholders	Number of Shares	%	Number of Shareholders	Number of Shares	%
Non-resident:						
Institutions	100	580,679,792	44	110	609,880,966	46
Individuals	230	8,751,833	1	229	8,570,136	1
Total	330	589,431,625	45	339	618,451,102	47
Resident:						
Institutions	602	322,603,994	24	551	299,630,134	23
Individuals*	10,809	406,515,149	31	10,140	400,092,043	30
Total	11,411	729,119,143	55	10,691	699,722,177	53
Total	11,741	1,318,550,768	100	11,030	1,318,173,279	100

** Includes Directors, spouses and connected parties.*

Distribution of Shareholders

	31 Mar 2020				31 Mar 2019			
	Number of Shareholders	%	Number of Shares Held	%	Number of Shareholders	%	Number of Shares Held	%
Less than or equal to 1,000	7,452	64	1,595,028	0	6,951	63	1,479,734	0
1,001 to 10,000	2,864	24	10,285,225	1	2,710	25	9,525,479	1
10,001 to 100,000	1,094	9	33,149,306	3	1,048	9	31,157,414	2
100,001 to 1,000,000	224	2	70,765,045	5	211	2	69,069,501	5
Over 1,000,001	107	1	1,202,756,164	91	110	1	1,206,941,151	92
Total	11,741	100	1,318,550,768	100	11,030	100	1,318,173,279	100

Options Available to Executive Directors under the Employee Share Option Scheme

Year of expiry	K Balendra			G Cooray		
	Granted Shares (Adjusted)*	Immediately Vesting	To be Vested	Granted Shares (Adjusted)*	Immediately Vesting	To be Vested
2020/21	251,261	251,261	-	251,261	251,261	-
2021/22	300,000	225,000	75,000	300,000	225,000	75,000
2022/23	375,000	187,500	187,500	350,000	175,000	175,000
2023/24	450,000	112,500	337,500	430,000	107,500	322,500
2024/25	450,000		450,000	430,000		430,000
Total	1,826,261	776,261	1,050,000	1,761,261	758,761	1,002,500

** Adjusted for share subdivisions*

SHARE INFORMATION

Director's Shareholding

	31 Mar 2020	31 Mar 2019
K Balendra*	10,914,400	10,914,400
G Cooray	207,105	207,105
H Wijayasuriya	-	-
A Omar	-	-
N Fonseka	-	-
A Cabraal**	45,137	137
P Perera	-	-
R Coomaraswamy***	-	-

** Includes shareholding of spouse.*

*** Mr. A Cabraal purchased 20,000 shares on 12 June 2019 and 25,000 shares on 12 December 2019.*

**** Retired from the Board on 31 December 2019.*

Note: There were no share dealings by the Executive Directors to be reported for John Keells Holdings PLC, for the period between 1 April 2019 to 31 March 2020. Therefore, there has been no requirement to maintain an interest register for this period.

Executive Director's Shareholding in Group Companies

	Number of Shares as at 31 Mar 2020	
	K Balendra*	G Cooray
Ceylon Cold Stores PLC	81,904	-
Asian Hotels and Properties PLC	-	10,600
Trans Asia Hotels PLC	-	1,200

** Includes shareholding of spouse*

Top Twenty Shareholders of the Company

	31 Mar 2020		31 Mar 2019	
	Number of Shares	%	Number of Shares	%
Mr S E Captain	153,211,107	11.62	152,991,389	11.61
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	141,854,717	10.76	-	-
Melstacorp PLC	128,917,111	9.78	128,572,406	9.75
Paints & General Industries Limited	93,787,615	7.11	86,673,704	6.58
Schroder International Selection Fund	42,475,806	3.22	42,417,426	3.22
HWIC Asia Fund	39,250,982	2.98	36,000,982	2.73
Mr R S Captain	35,733,994	2.71	26,950,930	2.04
Edgbaston Asian Equity Trust	29,849,703	2.26	33,018,476	2.50
Norges Bank Account 2	28,394,516	2.15	21,023,402	1.59
Aberdeen Standard Asia Focus PLC	22,693,572	1.72	19,793,572	1.50
Aberdeen Standard SICAV I - Asia Pacific Equity Fund	19,898,613	1.51	19,898,613	1.51
Mr Kandiah Balendra	19,511,476	1.48	20,006,476	1.52
Fidelity Fund - Pacific	19,060,108	1.45	19,060,108	1.45
Employees Trust Fund Board	18,690,918	1.42	18,834,190	1.43
Aberdeen Standard SICAV I - Asian Smaller Companies Fund	16,763,554	1.27	19,600,554	1.49
Mrs C S De Fonseka	13,668,417	1.04	13,226,598	1.00
Schroder Asian Growth Fund	13,164,018	1.00	11,282,414	0.86
Mrs S A J De Fonseka	13,122,826	1.00	13,116,826	1.00
LF Ruffer Investment Funds: LF Ruffer Pacific and Emerging Markets Fund	11,297,899	0.86	11,297,899	0.86
LF Ruffer Total Return Fund	11,154,285	0.85	11,154,285	0.85

Employee Share Option Plan as at 31 March 2020

	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 8	25.06.2015		6,781,282	24.06.2020	195.71	8,819,207	261,463	1,122,895	125,026	7,309,823	7,309,823		149.84
Award 3 [3]		GEC [1]	2,244,342			3,068,519				3,068,519	3,068,519		
		Other Executives	4,536,940			5,750,688	261,463	1,122,895	125,026	4,241,304	4,241,304		
PLAN 9	15.08.2016		9,948,581	14.08.2021	142.83	9,948,581	189,325	990,566	73,494	8,695,196	7,172,072	1,523,124	142.83
Award 1 [4]		GEC [1]	2,625,000			2,850,000				2,850,000	2,568,750	281,250	
		Other Executives	7,323,581			7,098,581	189,325	990,566	73,494	5,845,196	4,603,322	1,241,874	
PLAN 9	03.07.2017		10,402,204	02.07.2022	173.25	10,402,204		875,385	80,555	9,446,264	6,067,679	3,378,585	173.25
Award 2 [5]		GEC [1]	2,865,000			3,090,000				3,090,000	2,465,000	625,000	
		Other Executives	7,537,204			7,312,204		875,385	80,555	6,356,264	3,602,679	2,753,585	
PLAN 9	22.06.2018		10,381,395	21.06.2023	154.10	10,381,395	12,500	695,126	49,583	9,624,186	3,877,676	5,746,510	154.10
Award 3 [6]		GEC [1]	2,615,000			2,970,000				2,970,000	1,781,250	1,188,750	
		Other Executives	7,766,395			7,411,395	12,500	695,126	49,583	6,654,186	2,096,426	4,557,760	
PLAN 10	01.07.2019		6,568,000	30.06.2024	136.97	6,568,000		80,000		6,488,000	496,000	5,992,000	136.97
Award 1 [7]		GEC [1]	2,460,000			2,460,000				2,460,000	350,000	2,110,000	
		Other Executives	4,108,000			4,108,000		80,000		4,028,000	146,000	3,882,000	
Total			51,509,590			55,692,405	463,288	4,872,424	458,393	41,563,469	24,923,250	16,640,219	

1 *GEC comprises the Executive Directors and Presidents*
2 *Adjusted for Bonus Issues/Right Issues/Sub-divisions*
3 *Plan 8 (Award 3) - 100% of the options had vested as at 31 March 2020*
4 *Plan 9 (Award 1) - 75% of the options had vested as at 31 March 2020*
5 *Plan 9 (Award 2) - 50% of the options had vested as at 31 March 2020*
6 *Plan 9 (Award 3) - 25% of the options had vested as at 31 March 2020*
7 *Plan 10 (Award 1) - None of the options had vested as at 31 March 2020 with the exception of retirees*

SHARE INFORMATION

Share Capital

Year ended 31 March	Number of Shares in Issue (million)
2010	619.47
2011	629.69
2012	844.12
2013	857.24
2014	990.29
2015	997.49
2016	1,189.40
2017	1,387.47
2018	1,387.53
2019	1,318.17
2020	1,318.55

GDR History (in terms of ordinary shares, million)

Year ended 31 March	Opening Balance	Issued*	Converted/ Repurchased	Closing Balance
2010	0.99	-	0.01	0.98
2011	0.98	-	0.03	0.95
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13
2014	1.13	-	0.01	1.12
2015	1.12	-	-	1.12
2016	1.12	-	-	1.28
2017	1.12	0.2	-	1.32
2018	1.32	-	-	1.32
2019	1.32	-	-	1.32
2020	1.32	-	-	1.32

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)
2010	3.00	1,843,642
2011	3.00	1,868,707
2012	3.00	2,313,519
2013	3.50	2,982,421
2014	3.50	3,266,718
2015	3.50	3,475,947
2016	7.00	8,037,790
2017	5.50	7,280,497
2018	6.00	8,324,983
2019	5.00	8,186,450
2020	2.50	4,614,133

** 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
2014	Rights @ Rs.175*	2:13	132	3 Oct 2013	23.1
2016	Subdivision	7:8	143	30 Jun 2015	N/A
2017	Subdivision	7:8	170	30 Jun 2016	N/A
2019	Repurchase @ Rs.160	1:20	69	11 Jan 2019	(11.1)

** Unadjusted prices*

2019/20 Financial Calendar

	Date
Three months ended 30 June 2019	25 Jul 2019
Six months ended 30 September 2019	1 Nov 2019
Nine months ended 31 December 2019	29 Jan 2020
Annual Report 2019/20	21 May 2020
First interim dividend paid on	25 Nov 2019
Second interim dividend paid on	19 Feb 2020

2020/21 Financial Calendar

	Date
Three months ended 30 June 2020	On or before 29 Jul 2020
Six months ended 30 September 2020	On or before 5 Nov 2020
Nine months ended 31 December 2020	On or before 28 Jan 2021
Annual Report 2020/21	On or before 27 May 2021
42nd Annual General Meeting	On or before 25 Jun 2021

STEADFAST INTEGRITY

GOVERNANCE

CORPORATE GOVERNANCE COMMENTARY

Over the past 150 years, the John Keells Group has crafted an extensive portfolio of businesses aligned with the key growth sectors of the economy, underpinned by a comprehensive and well-structured governance framework which is institutionalised across all its business units.

In furtherance of the 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.

Visit **www.keells.com/governance** for detailed Corporate Governance Commentary.

The Group's framework has its own set of internal benchmarks, processes and structures towards meeting accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation and transparency.

Compliance Summary

Regulatory Benchmarks

Standard/Principle/Code	Adherence
The Companies Act No.7 of 2007 and regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE)	
Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987, including directives and circulars	
Code of Best Practice 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
UK Corporate Governance Code (formerly known as the Combined Code of 2010)	Voluntary provisions - fully compliant, as applicable to JKH
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with almost the full 2017 Code, to the extent of business exigency and as required by the John Keells Group

Key Internal Benchmarks

- 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 'work from home' policies, including health and safety enhancements and protocols in light of the COVID-19 pandemic
- Code of conduct, which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection adopted by the Group
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and FX risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group environmental and economic policies
- Policies on energy, emissions, water and waste management
- Policies on products and services

Note: The above highlights some of the key policies within the Group.

KEY GOVERNANCE HIGHLIGHTS

- At the outset of the COVID-19 pandemic, the Group focused on assessing its cash and liquidity position given the volatile and uncertain environment. A special Board Meeting was held on 31 March 2020 to evaluate the impacts of the COVID-19 pandemic on the businesses based on scenarios, and to discuss initiatives and strategies going forward. In order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. Whilst the assumptions vary across the businesses, the Group is satisfied of the ability of the businesses to manage its operations even under an extreme stress-tested scenario. Another special Board meeting was held on 6 April 2020 to discuss and approve some of the actions on expense control and capital expenditure decisions.

- The 'Project Risk Assessment Committee', a sub-committee of the Board which was established in 2018/19 to augment the Group's investment and risk evaluation framework, and to provide the Board with increased visibility of large-scale new investment projects, convened in the immediate aftermath of the Easter Sunday attacks to assess the market risks and impacts on the Group, particularly in relation to the on-going development projects in the Leisure and Property industry groups.

- In July 2019, the SEC called for public opinion under the title, 'Public Consultation on Segregation of CEO and Chairman Role Performed by One Individual in Listed Entities'. Whilst the combined role of the Chairman-CEO at JKH is periodically reviewed at Board and Management level, a further review was done in July and supported by empirical evidence. The Group maintained its position that the combination of the two roles was most appropriate for the Group at this juncture, in meeting stakeholder objectives in a large diversified conglomerate setting and given the need for nimble and agile leadership. The Group is of the view that the SEC should limit the segregation of the roles of Chairman and CEO to a voluntary compliance requirement, especially if concerns associated with the combined role (such as unfettered decision-making powers) are counter balanced by increased independence and transparency vis-a-vis Senior Independent Director, majority Independent Directors, Nominations Committee and the process of the appointment of Directors. The Group's position in this regard was communicated to the SEC.

- The 'Group Audit Committee Forum', an interactive forum for Audit Committees of Group businesses chaired by the Chairman of the JKH Audit Committee, was held twice during 2019/20 for information and knowledge sharing on best practice and to address Group-wide challenges on accounting, internal controls, risk management and related matters.

- Given the Group's investment pipeline into warehousing: (1) the centralised distribution centre in Panagoda for the Supermarket business; and (2) a multi-use logistics centre in Muthurajawela for the Logistics business (LogiPark International (Private) Limited), the Group re-evaluated its exposure to warehousing and de-risked the investments by re-purposing the Muthurajawela land to function as the new distribution centre for the Supermarket business. Concurrently, for reporting purposes, the businesses were realigned, where LogiPark International (Private) Limited, previously reported under the Transportation industry group, was moved under the Retail industry group.

- Internal Controls were further strengthened during 2019/20, where the Group institutionalised an integrated fraud deterrent and investigation framework to drive and deliver continuous improvements of its assurance related initiatives. The framework is expected to integrate the management of all aspects of fraud and stakeholder assurance; reinforce uniformity across common processes in matters relating to fraud, and employ a data-driven approach to the continuous assessment of control efficacy while enabling better monitoring and further refining audit trails.

- The anti-money laundering and anti-corruption policies were updated and rolled out across the Group in furtherance of its drive towards better assurance.

- During the year under review, the Group implemented a comprehensive data classification and rights management framework throughout all its business units. This framework is designed to improve data stewardship and management of access to sensitive information across the Group, thus ensuring that all data are appropriately classified, documented and stored effectively. The implementation across data domains was supported by dedicated data owners and data stewards to ensure data privacy, data quality and rights management.

- The state-of-the-art cloud based Human Resource Information System (HRIS) which was implemented in March 2019, ran a full cycle of operations during the year under review, bringing into effect one of the largest, fastest and most comprehensive HRIS implementations in the country. The system manages the entire life-cycle of the employee from onboarding to performance management, succession planning, compensation, learning and development, through to offboarding.

- During the year under review, the Group rolled-out its advanced analytics transformation programme where several well defined advanced analytics use cases, focused on the Supermarket business and the Insurance business, were piloted and implemented. This was further augmented by investments channelled towards Human Capital, particularly towards recruitment and developing capabilities to ensure that a lasting and sustainable advanced analytics capability is built.

Group Consolidated Review – Intellectual Capital for further details - **page 59**

- The Board of Directors, with the approval of the Colombo Stock Exchange, convened an Extraordinary General Meeting (EGM) of the Company and recommended that the Employee Share Option Plan which has been in place since 1996 be renewed for Plan 10, subject to shareholder approval as a Special Resolution. Approval was granted by the shareholders of the Company at the EGM held on 28 June 2019.

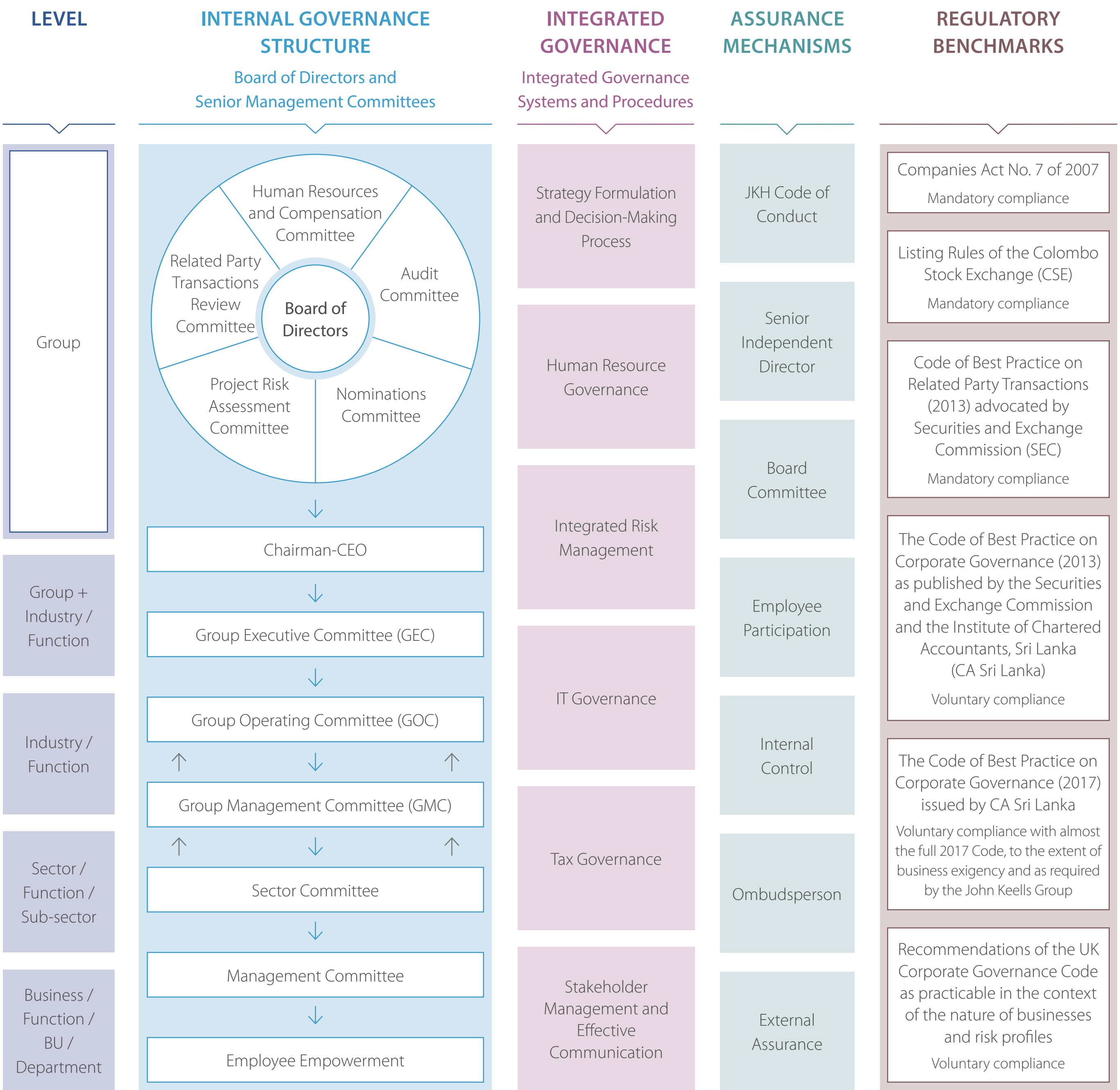
- The Board declared a final dividend of Rs.1.00 per share in May 2019 for the financial year 2018/19. For the year under review, the Board declared a first interim dividend of Rs.1.00 per share in November 2019, and a second interim a of Rs.1.50 in January 2020. The second interim is an increase from the previous two dividend payments of Rs.1.00 each per share, reflecting the positive momentum and outlook for the performance of the businesses at the time of declaring the dividend.

CORPORATE GOVERNANCE COMMENTARY

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates the key components of the Corporate Governance System of the John Keells Group. It depicts the internal governance structure, from the Board of Directors cascading down to employee level, the integrated governance systems and procedures within the Group, the Assurance Mechanisms in place and the various regulatory frameworks the Group is compliant with from a Governance standpoint.

A detailed discussion of each of the below components is found on the Corporate Website: **www.keells.com/governance**



- *All 4 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.*
- *GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.*
- *Only the key components are depicted in the diagram due to space constraints.*

BOARD OF DIRECTORS

Board Composition

As at 21 May 2020, the Board comprised of 7 Directors, with 5 of them being Non-Executive Independent Directors. Ms. R. Coomaraswamy resigned from her position on the Board as a Non-Executive Independent Director with effect from 31 December 2019.

Board of Director Profiles

KRISHAN BALENDRA

Chairman

N P ED

Krishan Balendra is the Chairman of John Keells Holdings PLC. He is a Director of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

GIHAN COORAY

Deputy Chairman / Group Finance Director

P ED

Gihan Cooray is the Deputy Chairman/Group Finance Director and has overall responsibility for the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology functions (including John Keells IT) and John Keells Research. He is the Chairman of Nations Trust Bank PLC. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is an Associate member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

AMAL CABRAAL

Non-Executive Director

A H R

Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, CIC Feeds Group and Silvermill Investment Holdings (Private) Ltd. He is a former Chairman and CEO of Unilever Sri Lanka and has over 3 decades of business experience in general management, marketing and sales in Sri Lanka and overseas. He is also the Vice-Chairman of Sunshine Holdings PLC, a Non-Executive Director of Hatton National Bank and a business advisor to a number of leading companies. He is a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society. A Marketer by profession and a Fellow of the Chartered Institute of Marketing - UK, he holds a MBA from the University of Colombo and is an executive education alumnus of INSEAD-France.

NIHAL FONSEKA

Non-Executive Director

A R

Nihal Fonseka is a career banker and served as the Chief Executive Officer/Ex-Officio Director of DFCC Bank from 2000 until his retirement in 2013. He is currently a Member of the Monetary Board of the Central Bank of Sri Lanka, Non-Executive Director of Phoenix Ventures Pvt Ltd, Chairman of the Group Audit Committee of Brandix Lanka Limited and President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK. Prior to joining the DFCC Bank, he was the Deputy Chief Executive of HSBC Sri Lanka. He is a past Chairman of the Colombo Stock Exchange and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He has also served as a Director of the Employees' Trust Fund Board and as a member of the Presidential Commission on Taxation (2009), National Procurement Commission and Strategic Enterprise Management Agency (SEMA). He holds a B.Sc from the University of Ceylon, Colombo, is a Fellow of the Institute of Financial Studies, (FIB) UK and is a Honorary Fellow of the Chartered Institute of Securities and Investments, FCSI(Hon), UK.

ASHROFF OMAR

Non-Executive Director

H N

Group Chief Executive Officer of Brandix Lanka Limited, Ashroff Omar has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. Ashroff spearheads a company that comprises of manufacturing and product development facilities offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele. He is also credited with pioneering environmentally-friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka Apparel industry.

PREMILA PERERA

Non-Executive Director

A N 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 currently the Chairman of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber. During the Period 2012-14, Dr. Wijayasuriya also functioned as the founding CEO of Axiata Digital Services – the Group-wide Digital Services Business of the Axiata Group. Dr Wijayasuriya is an alumni of the University of Cambridge UK., and obtained his PhD from the University of Bristol UK. A Chartered Engineer and Fellow of the Institute of Engineering Technology UK, Dr. Wijayasuriya also holds an MBA from the University of Warwick.

Board Sub-Committees

- A Audit Committee
- H Human Resources and Compensation Committee
- N Nominations Committee
- R Related Party Transactions Review Committee
- P Project Risk Assessment Committee
- ED Refer Group Directory for directorships held by Executive Directors in other Group companies

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	Once Appointed	During Board Meetings
▪ Nominees are requested to make known their various interests.	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.	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 are duly minuted).

Criteria for Defining Independence	Status of Conformity of NEDs
1. Shareholding carrying not less than 10 per cent of voting rights	None of the individual EDs' or NED/IDs' shareholding exceeds 1 per cent
2. Director of another company*	None of the NED/IDs are Directors of another related party company, as defined
3. Income/non-cash benefit equivalent to 20 per cent of the Director's income	NED/ID income/cash benefits are less than 20 per cent of individual Director's income
4. 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
5. Close family member is a Director, CEO or a Key Management Personnel	No family members of the EDs or NED/IDs is a Director or CEO of a related party company
6. Has served on the Board continuously for a period exceeding nine years from the date of the first appointment	No NED has served on the Board for more than nine years
7. 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.

Board Meetings

During the financial year under review, there were 5 pre-scheduled Board meetings, which were also preceded by a Pre-Board meeting. The Directors were provided with necessary information, well in advance, by way of electronic Board papers and proposals, as relevant, for all Board meetings held during the year in order to ensure robust discussion, informed deliberation and effective decision-making.

The attendance at the Board meetings held during the financial year 2019/20 is given below:

Name	7/May/ 2019**	24/May/ 2019	25/July/ 2019	1/Nov/ 2019	29/Nov/ 2019	29/Jan/ 2020	31/Mar/ 2020***	6/Apr/ 2020****	Eligibility	Attended
K. Balendra	✓	✓	✓	✓	✓	✓	✓📱	✓📱	8	8
G. Cooray	✓	✓	✓	✓	✓	✓	✓📱	✓📱	8	8
N. Fonseka	✓	✓	✓	✓	✓	✓	✓📱	✓📱	8	8
A. Cabraal	✓	✓	✓	✓	✓	✓	✓📱	✓📱	8	8
P. Perera	✓	✓	✓	✓	✓	✓	✓📱	✓📱	8	8
H. Wijayasuriya	✓📱	✓	×	✓	✓	✓📱	✓📱	✓📱	8	7
A. Omar	✓	✓	✓	✓📱	✓📱	✓	✓📱	✓📱	8	8
R. Coomaraswamy*	×	✓	✓	×	✓	N/A	N/A	N/A	5	3

📱 By video conference/phone

Resigned from the Board with effect from 31 December 2019.

** *Extraordinary Board Meeting to understand the impacts on the Group subsequent to the Easter Sunday attacks on 21 April 2019.*

*** *Extraordinary Board Meeting to understand the impacts of the COVID-19 pandemic on the businesses based on various scenarios, and to discuss strategies going forward.*

**** *Supplemental Extraordinary Board meeting to the Board meeting held on 31 March 2020, to further discuss the impacts and action plan for the Group on the back of the COVID-19 pandemic.*

Board Sub-Committees

The Board has delegated some of its functions to Board Sub-Committees, while retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The five Board Sub-Committees are as follows:

i. Audit Committee
ii. Human Resources and Compensation Committee
iii. Nominations Committee
iv. Related Party Transactions Review Committee
v. Project Risk Assessment Committee

The Board Sub-Committees comprise predominantly of Independent Non-Executive Directors. The membership of the five Board Sub-Committees is as follows;

Board Sub-Committee membership as at 31 March 2020	Audit Committee	Human Resources and Compensation Committee	Nominations Committee**	Related Party Transactions Review Committee	Project Risk Assessment Committee
Executive					
K Balendra – Chairman-CEO*			Member		Member
G Cooray – Deputy Chairman / Group Finance Director					Member
Senior Independent Non-Executive					
N Fonseka	Chair			Member	
Independent Non-Executive					
A Cabraal	Member	Chair		Member	
A Omar		Member	Chair		
P Perera***	Member		Member	Chair	Member
H Wijayasuriya		Member	Member		Chair

● Committee Member
● Committee Chair

* *Composition of the Related Party Transactions Review Committee was reconstituted at the Board Meeting held on 31 March 2020, following which Mr. K Balendra was released from his role in the committee. Mr. Balendra will attend meetings, as required, by invitation.*

** *Dr. R. Coomaraswamy, formally a member of the Nominations Committee, resigned from the Board with effect from 31 December 2019.*

*** *Composition of the Nominations Committee was reconstituted at the Board Meeting held on 24 May 2019, following which Ms. P Perera was released from her role in the Nominations committee. Following the resignation of Dr. R Coomaraswamy, Ms. P Perera was reappointed to the Nominations Committee.*

CORPORATE GOVERNANCE COMMENTARY

Audit Committee

No of meetings - 5

COMPOSITION

- All members to be Non-Executive, Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience and a professional accounting qualification.
- The Chairman-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
- The Head of the Group Business Process Review division is the Secretary of the Committee.

SCOPE

- Review the quarterly and annual financial statements, including 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 the robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of the internal audit arrangements.
- Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management systems of the Group, compliance with legal and regulatory requirements, the External Auditors' performance, qualifications and independence, and, the adequacy and performance of the Internal Audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without prejudicing the independence of those Committees. However, to the extent, and in a manner, it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action. An interactive forum with the participation of members of Audit Committees of Group entities was also held to discuss ways and means of improving coordination with Group BPR and to exchange information on best practice.

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 is comprised by 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 on the Corporate Website. The Chairman-CEO, the Deputy Chairman/ Group Finance Director, Group Financial Controller and the External Auditors attended most parts of these meetings by invitation. The Internal Auditors carrying out outsourced assignments and relevant executives of the Company and the Group also attended these meetings on a needs basis. The Committee engaged with management to review key risks faced by the Group as a whole and the main sectors with a view to obtaining assurances that appropriate and effective risk mitigation strategies were in place.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly and annual financial statements with management and the External Auditors prior to publication. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. The Committee also discussed with the External Auditors and Management, any matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The External Auditors were also engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2019. The results of this review were discussed with the External Auditors and management.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that 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 Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the overarching direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from the outsourced Internal Auditors on the operations of the Company and some of the unquoted subsidiaries of the Company were also reviewed by the Committee. Follow-up action taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR.

The Group BPR division, drawing from the growing benefits of assurance related inputs provided by the digital forensic capability that is operational across the entire Group, has extended the scope of the project to include measures to optimise internal process efficiencies and behavioural responses with a view to enhancing operational controls and to support governance reporting.

The Group BPR division has adopted an integrated fraud deterrent and investigation framework to drive greater stakeholder synergies and collaboration efficiencies between components that deliver governance and assurance and related services, and has implemented a digital platform for compliance reporting and monitoring purposes.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that for the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise .

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistle-blowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with management and changes were effected where considered necessary.

External Audit

The External Auditors' Letter of Engagement, including the scope of the audit, was reviewed and discussed by the Committee with the External Auditors and management prior to the commencement of the audit.

The External Auditors kept the Committee advised on an 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 their treatment. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with management were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and Group financial statements for the year 2019/2020 were discussed with management and the auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors has been evaluated with the aid of a formal assessment process with input provided by the senior management of the Company and the Committee has recommended to the Board that Ernst & Young be re-appointed as the Lead/Consolidation Auditor of the Group for the financial year ending 31 March 2021, subject to approval by the shareholders at the Annual General Meeting.

N Fonseka
Chairman of the Audit Committee

21 May 2020

CORPORATE GOVERNANCE COMMENTARY

Human Resources and Compensation Committee

No of meetings - 3

COMPOSITION

- Committee to comprise exclusively of Non-Executive Directors, a majority of whom shall be independent.
- The Chairman of the Committee must be a Non-Executive Director.
- The Chairman-CEO and Group Finance Director are present at all Committee meetings unless the Chairman-CEO or Executive Director remuneration is under discussion respectively.
- The Deputy Chairman/Group Finance Director is the Secretary of the Committee.

SCOPE

- Review and recommend overall remuneration philosophy, strategy, policies and practice and, performance-based pay plans for the Group.
- Determine and agree with the Board a framework for remuneration of 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 will not be under the scope of this Committee.

Report of the Human Resources and Compensation Committee

The Committee determined the remuneration of the Executive Directors including the Chairman-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluations of the members of the Group Executive Committee were considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

A report from the Chairman of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairman of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

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 proposals approved by the Board, based on discussions conducted between the Committee and the Management.

I wish to thank Mrs. Dilani Alagaratnam, President responsible for Human Resources who retired on 31.12.2019, for providing proactive guidance to enable this committee to fulfil its responsibilities and my colleagues in the Committee for their critical input.

A. Cabraal

A Cabraal
Chairman of the Human Resources and Compensation Committee

21 May 2020

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.

A significant proportion of Executive Director remuneration is variable. The variability is linked to the peer-adjusted consolidated Group bottom line and expected returns on shareholder funds. Further, the Human Resources and Compensation Committee consults the Chairman-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairman-CEO.

During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

Excluding Employee Share Options (ESOP) granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.119 million, of which Rs.39 million was the variable portion linked to the performance benchmark as described above and Rs.80 million was the fixed remuneration. This is in comparison to the total remuneration paid in 2018/19 amounting to Rs.153 million, of which Rs.40 million was the variable component and Rs.113 million was the fixed component.

The decrease in both the fixed and variable components of remuneration is on account of the Board comprising of two Executive Directors for a majority of 2019/20 compared to three Executive Directors for a majority of 2018/19. Similar to the previous year, the relatively higher proportion of fixed remuneration arises from the Group not meeting certain performance benchmarks amidst the challenging macro environment.

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.18 million [2018/19: Rs.17 million].

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 Head of Legal is the Secretary of the Committee.

SCOPE

- Assess 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, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of Chairperson and Executive Directors is a collective decision of the Board.

Related Party Transactions Review Committee

No of meetings - 4

COMPOSITION

- The Chairman must be a Non-Executive Director.
- May include at least one Executive Director.

SCOPE

- The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to listed companies.

Report of the Nominations Committee

The Nominations Committee, as of 31 March 2020, consisted of the following members:

A Omar (Chairman)
H Wijayasuriya
K Balendra
P Perera

The self-review of the mandate of the Committee reaffirmed that it exists to:

- To recommend to the Board the process of selecting the Chairman and Deputy Chairman.
- To identify suitable persons who could be considered for appointment to the Board of JKH PLC and other Listed Companies in the Group, as Non-Executive Directors.
- Make recommendation on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to approval obtained from the Committee, Mr. M R Svensson, as a Director of Asian Hotels and Properties PLC and Dr. K A Gunasekera, as a Director of John Keells Hotels PLC.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs. Further, the Committee discusses with the Board the outputs of the Annual JKH Board Evaluation.

A Omar
Chairman of the Nominations Committee

21 May 2020

CORPORATE GOVERNANCE COMMENTARY

Report of the Related Party Transactions Review Committee

The following Directors served as members of the Committee during the financial year:

P Perera
N Fonseka
A Cabraal
K Balendra*

The Deputy Chairman/Group Finance Director and Group Financial Controller attended meetings by invitation. The Head of Group Business Process Review served as the Secretary to the Committee.

The objective of the Committee is to exercise oversight on behalf of the Board of John Keells Holdings PLC and its listed Subsidiaries, to ensure compliance with the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and with the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practice as recommended by the Institute of Chartered Accountants of Sri Lanka.

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'the Code ' and Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

The Committee reviewed and pre-approved all proposed non-recurrent Related Party Transactions (RPTs) of the parent, John Keells Holdings PLC, and all its listed subsidiaries, namely: John Keells PLC, Tea Smallholder Factories PLC, Asian Hotels and Properties PLC, Trans Asia Hotels PLC, John Keells Hotels PLC, Ceylon Cold Stores PLC, Keells Food Products PLC, and Union Assurance PLC. Further, recurrent RPTs 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. The activities and views of the Committee have been communicated to the Board of Directors, quarterly, through verbal briefings, and by tabling the minutes of the Committee's meetings.

P Perera
Chairperson of the Related Party Transactions Review Committee

13 May 2020

** Released from role with effect from 31 March 2020*

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 only convene 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 increased visibility of large-scale new investments and assists the Board to assess risks associated with significant investments, above a board-agreed investment threshold, at the initial stages of discussion, to obtain feedback and relevant inputs in relation to mitigating risks, and, prior to committing to structuring agreements.

The Committee convened once during the year under review, in the aftermath of the Easter Sunday terror attacks on 21 April 2019. The discussion primarily centred around the risks and level of impact to the Group under different scenarios - particularly to the ongoing Property construction projects and the consequent risk mitigatory actions.

H. Wijayasuriya
Chairman of the Project Risk Assessment Committee

21 May 2020

OUTLOOK AND EMERGING CHALLENGES

In an environment of dynamic corporate change and global volatility, a solid corporate governance framework remains a vital component of the Group's ability in meeting diverse stakeholders needs and creating sustainable value. The Group will continue to stay abreast of governance best practice, and assess its level of preparedness and its capability in meeting external challenges.

Concurrently, corporate disintegrations, the pursuit of continuous improvement in governance and a call for increased accountability and transparency continue to influence and shape selected governance aspects. The more significant challenges, amongst many others, being recurrently addressed by JKH are as follows.

- Board Diversity.
- Shareholder Activism.
- Continual Strengthening of Internal Controls.
- Digital Oversight and Cybersecurity.
- Data Protection, Information Management and Adoption.
- Board Refreshment and Independence.
- Greater Employee Involvement in Governance.

A detailed discussion of each of the below components is found on the corporate website.

Visit **www.keells.com/governance** for detailed Corporate Governance Commentary.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(i)	Names of persons who were Directors of the Entity	Yes	Corporate Governance Commentary
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	
(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
(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 and Stakeholder Integration
(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 as at the end of the year	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Share Information
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	

CORPORATE GOVERNANCE COMMENTARY

Rule		Compliance Status	Reference (within the Report)
(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 Report)
7.10 Compliance			
a./b./c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1 Non-Executive Directors (NED)			
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 7 Board members are NEDs. The 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.
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 6 Independent NEDs have submitted signed confirmation of their independence.
7.10.3 Disclosures relating to Directors			
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence.
c.	A brief resume of each Director should be included in the annual report including the directors' experience	Yes	Corporate Governance Commentary
d.	Provide a resume of new Directors appointed to the Board along with details	Yes	Detailed resumes of the new Independent NEDs appointed during the financial year were submitted to the CSE. It is noted that there was an appointment to the Board, during the year under review.
7.10.4 Criteria for defining independence			
a. to h.	Requirements for meeting the criteria to be an Independent Director	Yes	Corporate Governance Commentary
7.10.5 Remuneration Committee			
a.1	Remuneration Committee shall comprise of NEDs, a majority of whom will be independent	Yes	The Human Resources and Compensation Committee (equivalent of the Remuneration Committee with a wider scope) only comprises of Independent NEDs.
a.2	One NED shall be appointed as Chairman of the Committee by the Board of Directors	Yes	The Senior Independent NED is the Chairman of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairman-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.
c.1	Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report.
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section.
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section.

CSE Rule		Compliance Status	Reference (within the Report)
7.10.6 Audit Committee			
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2	A NED shall be the Chairman of the committee	Yes	Chairman of the Audit Committee is an Independent NED.
a.3	CEO and CFO should attend AC meetings	Yes	The Chairman-CEO, Group Finance Director, Group Financial Controller and the External Auditors attended most parts of the AC meetings by invitation.
a.4	The Chairman of the AC or one member should be a member of a recognised professional accounting body	Yes	The Chairman of the AC is a member of a recognised professional accounting body.
b.	Functions of the AC	Yes	The AC carries out all the functions prescribed in this section
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and regulations	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies
b.3	Overseeing the process to ensure the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The AC assesses the external auditor's performance, qualifications and independence
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for recommending the appointment, re-appointment, removal of External Auditors and also providing recommendations on the remuneration and terms of Engagement.
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer Board Committees section.
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Report of the Audit Committee.
c.3	Report on the manner in which Audit Committee carried out its functions.	Yes	Refer Report of the Audit Committee.

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(b)	Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c)	Report of the Related Party Transactions Review Committee	Yes	Refer Report of the Related Party Transactions Review Committee
(d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to RPT, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

CORPORATE GOVERNANCE COMMENTARY

Statement of Compliance pertaining to Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the Report)
168 (1) (a)	The nature of the business together with any change thereof	Yes	Group Directory
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes therein	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Directory
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors

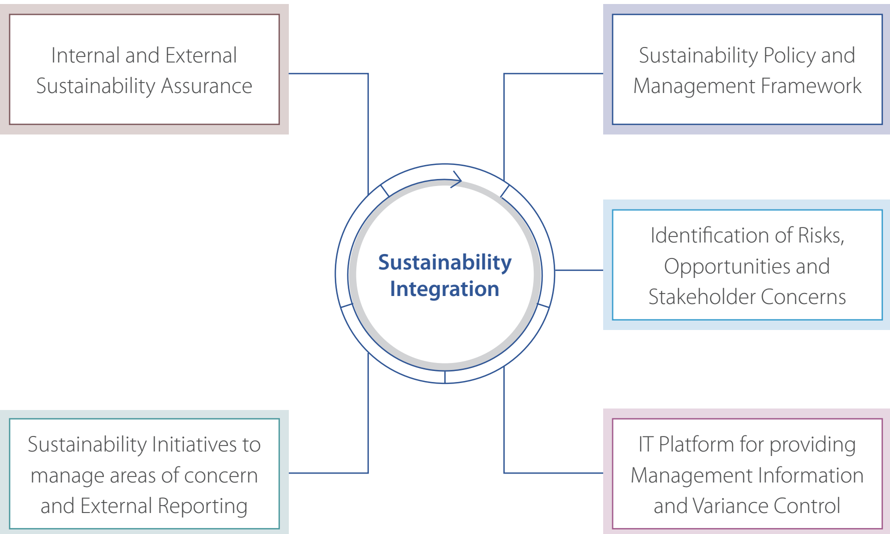
SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

The following section provides an overview of the Group's approach and framework towards sustainable development and long-term value creation.

In furtherance of the Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review, the Corporate Website entails a detailed discussion of Sustainability Integration, Stakeholder Engagement and Materiality.

SUSTAINABILITY INTEGRATION

Integration and entrenchment of sustainability within the core of its businesses has been an integral part of the John Keells Group strategy, based on the vital interrelationships between financial performance, environmental stewardship and social responsibility. The sustainability integration process is continually updated and improved in line with the varied operational requirements of companies and global sustainability trends.



Group Sustainability Policy

The Group's sustainability policy sets out its commitment to ensuring long-term value creation for its many stakeholders through the ongoing monitoring and mitigation of impacts of its business models on the environment, its workforce and society, whilst conducting its activities in line with the highest standards of corporate best practice and compliance. The Group strives to constructively engage with its stakeholders through transparent and open communication of its sustainability approach. Additionally, the Group's endeavours to be an employer of choice by providing a safe, secure and non-discriminatory working environment, whilst also promoting healthy relationships with its communities as a part of its sustainability policy.

The Group's Sustainability policy can be found on the Corporate Website.

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 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 on sustainability disclosures 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.

Scope and Boundary

87 legal entities of the John Keells Group create the financial reporting boundary of this Report of which, 46 companies have been listed in the Group Directory as those within the reporting boundary for sustainability disclosures. Any other exclusions made have been clearly explained under the relevant sustainability topics. In addition to the inclusion of 15 new 'Keells' outlets which were opened during the year under review, no other significant changes were made to the reporting scope.

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.

" Integration and entrenchment of Sustainability within the core of its businesses has been a vital part of the John Keells Group strategy."

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

Engagement of Significant Stakeholders

Stakeholders who have a significant influence over, or who are significantly able to impact Group operations are illustrated below. The frequency of engagement is listed alongside.

Stakeholder	Frequency						
	Annually	Bi-annually	Quarterly	Ongoing	Monthly	One-off	Regularly
Customers	●	●	●	●			
Employees	●	●	●	●			
Community				●	●	●	
Institutional investors, fund managers, analysts, leaders, multilateral lenders	●		●	●			●
Government, Government institutions and departments			●	●			
Legal and regulatory bodies			●	●			
Business partners, principals, suppliers	●		●	●			●
Society, media, pressure groups, NGOs, environmental groups				●			

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

The Group conducted a quantitative stakeholder engagement in order to augment a previous qualitative study. The engagement was carried out for key stakeholders on a sectoral and Group basis, as a means of yielding a sustainability index by which the Group and its companies could measure the perceptions of its sustainability performance and monitor its progress on an ongoing basis, going forward. The results further reinforced the findings from the previous study, providing businesses with useful insights to better understand materiality of sustainability impact areas, emerging trends and overall perceptions towards the Group and its constituent businesses and brands.

The stakeholder engagement reiterated public perception of the Group and its businesses as sustainable organisations, creating long-term value to its stakeholders. Stakeholders noted the importance of a continuing commitment and adherence to policies and standards.

- The outcomes of the study allowed key sectors to prioritise key sustainability concerns of their respective stakeholders, and thereby develop medium to long-term strategies to best reach these groups, create awareness and address material impacts.
- Once such strategies are implemented, further studies in these areas can be conducted in the future, to understand the results and outcomes of the strategies implemented, which can be continued on a periodic basis.

Refer the Governance section on the Corporate Website for a detailed discussion on key sustainability concerns.

"The stakeholder engagement reiterated public perception of the Group and its businesses as sustainable organisations, creating long-term value to its stakeholders"

Identification of Material Topics

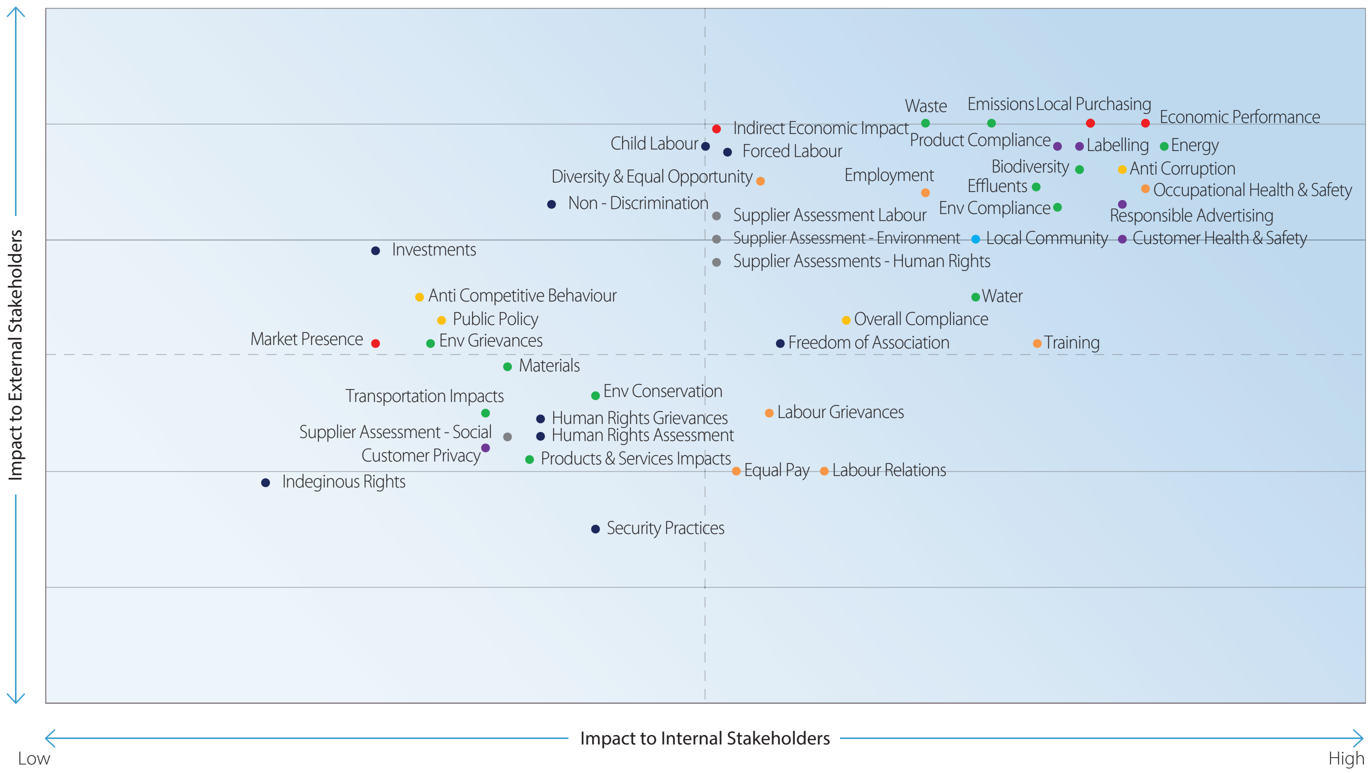
The Group identifies its internal stakeholders as its business units and employees whilst its external stakeholders are made up of shareholders, investors, lenders, customers, suppliers, business partners, Government and regulatory authorities, peers, pressure groups, media and the community, among others. Over past years, the Group has also focused on its value chain to assess potential risks, along supplier and distribution networks.

There were no significant changes in the list of material topics and topic boundaries during the year under review, in comparison 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 its disclosures and sustainability focus areas, the Group prioritises material impacts based on their relative importance to internal and external stakeholders. This prioritisation and identification of material topics for reporting is shown below.

MATERIAL TOPICS



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_2019_20.pdf

RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

The Group takes a holistic and integrated approach towards risk management, recognising the interrelationships between effective risk management,sustainable development and good governance practices.

In furtherance of the Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review, the Corporate Website entails a detailed discussion of Sustainability Integration, Stakeholder Engagement and Materiality.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The John Keells Group has a robust risk management framework through which it carries out its risk management strategy and ensures a culture of proactive identification and mitigation of key risks relevant to its business operations.

Risks are identified from business unit level, and, at a Group level and reviewed periodically, based on a pre-agreed structure. Such risks are analysed and reviewed at various fora, including at Board level. Any policy level decisions stemming from such reviews are incorporated in the next risk review cycle.

Key amendments to the framework during the year:

- In light of the Easter Sunday terrorist attacks and COVID-19 pandemic, the Group conducted a comprehensive review of the Group risk management register, where 'terrorism' and 'pandemic' risks were reviewed and appropriate impact mitigation measures relating to 'pandemic' risks in particular were included, to the extent known and possible, given the volatile and evolving circumstances.

Refer the Governance section on the Corporate Website for a discussion on the Risk Management Framework.

Key Risks	Risk Rating
Macroeconomic and political environment	High
Regulatory environment	High
Financial exposure	Low
Information technology	High
Global competition	Low
Human Resources and talent management	Low
Environment and Health & Safety	Low*
Reputation and Brand Image	Low
Supply chain risk	Low

** This risk was rated a 'low' at the Group risk review conducted prior to the escalation of the COVID-19 pandemic. However, given the continually evolving concerns with respect to health and safety, the Group will be reviewing and updating its assessment of health and safety risk and related mitigation plans on an ongoing basis, as relevant.*

The Risk, Opportunities and Internal Controls 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.

Risks associated with COVID-19

This year, the COVID-19 pandemic sweeping the globe resulted in widespread upheaval and uncertainty across global economies, as countries were forced to close borders, enforce lockdowns and ensure social distancing in order to forestall devastating impacts on public health and overwhelming pressure on healthcare services.

The Group's risk mitigation strategy involved the implementation of business continuity plans for each company, allowing operations and functions to continue through alternate working arrangements, whilst strictly adhering to and supporting Government directives.

Key operations such as supermarkets, distribution centres, hotels and logistics providers were able to effectively operationalise their respective business continuity plans in order to allow them to meet stakeholder and national requirements during this period, whilst maintaining all necessary health and safety and hygiene protocols to safeguard their employees, customers and other stakeholders.

While all risks associated with the COVID-19 pandemic and its resultant effects will need to be assessed as the situation evolves, the Group has ensured operations continue unhindered, to the extent possible, while ensuring all health and safety aspects have been adhered to. Given the volatile and evolving landscape, the Group will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible.

Whilst there will be indirect impacts to the Group and its businesses as a result of the likely economic fallout due to the pandemic, the Group has ensured its financial stability through various measures. While the Group has a strong cash position and availability of banking facilities, there will be a continued focus on ensuring this position is preserved with a focus on further enhancing its funding lines proactively ahead of any future requirements. The Group has in place a strong information technology (IT) governance framework, however, given the higher incidence of remote working arrangements, measures have been taken to further strengthen the IT governance and cybersecurity framework.

Further details relating to the outlook and risk mitigation steps can be found in the MD&A section, under Capital Management Review, Industry Group Review and Outlook sections of this Report.

SUSTAINABLE VALUE

FINANCIAL STATEMENTS

INDEX TO THE FINANCIAL STATEMENTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 41st Annual Report of your Company which covers the Audited Financial Statements, Chairman's Message, Corporate Governance Commentary, Capital Management Review, Industry Group Review and all the other relevant information for the year ended 31 March 2020. 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.

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. Segment wise contribution to Group revenue, results, assets and liabilities are provided in Note 8 to the Financial Statements.

Future Developments and Impact of COVID-19 pandemic

Information on future developments and an assessment, to the extent possible considering the current volatile and evolving landscape relating to the COVID-19 pandemic, are contained in the Chairman's Message and Management Discussion and Analysis sections of this Annual Report. The Board also assessed the financial outlook for the businesses of the Group and evaluated stress-tested scenarios to assess the impact on cash flows and the financial position of the company and the various measures to ensure maintenance of the financial health of the Group, details of which are also included in the Management Discussion and Analysis sections of this Annual Report.

Financial Statements

Financial Statements of the Company and Group for the year ended 31 March 2020, 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 from pages 182-270 and form a part of the Integrated Annual Report.

John Keells Holdings PLC

For the year ended 31 March In LKR '000s	2020	2019
Profit after tax	8,639,540	12,002,216
Other adjustments	7,840	994
Balance brought forward from the previous year	54,280,016	60,106,601
Amount available for appropriation	62,927,396	72,109,811
1st interim dividend of LKR. 1.00 per share (2019-LKR. 2.00) paid out of dividend received	(1,318,173)	(2,775,057)
2nd interim dividend of LKR. 1.50 per share (2019-LKR. 2.00) paid out of dividend received	(1,977,787)	(2,636,336)
Final dividend declared 2019-LKR 1.00	-	(1,318,173)
Re-purchase of shares	-	(11,100,229)
Balance to be carried forward to the next year	59,631,436	54,280,016

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Financial Results and Appropriations

Revenue

Revenue generated by the Company amounted to LKR. 1,462 Mn (2019 – LKR. 1,722 Mn), whilst Group revenue amounted to LKR. 140,043 Mn (2019– LKR. 135,456 Mn). Contribution to Group revenue, from the different business segments, is provided in Note 8 to the Financial Statements.

Profit and Appropriations

The profit after tax of the Company was LKR. 8,640 Mn (2019 – LKR. 12,002 Mn) whilst the Group profit attributable to equity holders of the parent for the year was LKR. 9,414 Mn (2019 - LKR. 15,254 Mn).

The Company's total comprehensive income net of tax was LKR. 8,662 Mn (2019 - LKR. 11,977 Mn), and the Group total comprehensive income attributable to parent was LKR. 16,581 Mn (2019 - LKR. 23,208 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.

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 except for SLFRS 16 Leases standard adopted with effect from 1 April 2019. For all periods up to and including the year ended 31 March 2020, 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).

Capital Expenditure

The Company's and Group's capital expenditure on property, plant and equipment amounted to LKR. 24 Mn (2019 - LKR. 80 Mn) and LKR. 15,212 Mn (2019 - LKR. 12,020 Mn), respectively, and all other related information and movements have been disclosed in Note 22 to the Financial Statements.

Additions of intangible assets of the Company and Group during the year amounted to LKR. 34 Mn (2019 - LKR. 62 Mn) and LKR. 387 Mn (2019 - LKR. 1,810 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 2019 and the carrying value amounted to LKR. 87,185 Mn (2019 - LKR. 75,948 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 2019, and the carrying value amounted to LKR. 15,008 Mn (2019- LKR. 13,985 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 2020, 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 2020 for the Company amounted to LKR. 62,881 Mn (2019 - LKR. 62,806 Mn). The movement and composition of the Stated Capital is disclosed in the Statement of Changes in Equity and in Note 34.1 to the Financial Statements.

Revenue Reserves

Revenue reserves as at 31 March 2020 for the Company and Group amounted to LKR. 59,631 Mn (2019 - LKR. 55,598 Mn) and LKR. 87,885 Mn (2019 - LKR. 82,834 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 2020, 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 2020 and their brief profiles are given in the Corporate Governance section of the Annual Report.

Retirement and Re-Election of Directors

In accordance with Article 84 of the Articles of Association of the Company, D A Cabraal and A N Fonseka retire by rotation, and, being eligible, offer themselves for re-election.

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

Particulars of the Company interest register are disclosed in the Share Information section of the Annual Report.

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 2019 to 31 March 2020.

Trans Asia Hotels PLC

- N L Gooneratne - Sale of 75,020 shares

Indemnities and Remuneration

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2019 to 31 March 2020 comprising of;

An increment from 1 July 2019 based on the individual performance rating obtained by the Executive Directors in terms of the performance management system of the John Keells Group;

A short term variable incentive based on the individual performance, organisation performance and role responsibility based on the results of the financial year 2018/2019, and long-term incentive plan including employee share options in John Keells Holdings PLC.

John Keells Holdings PLC

- K N J Balendra
- J G A Cooray

Asian Hotels and Properties PLC

- S Rajendra

Ceylon Cold Stores PLC

- D P Gamlath

Union Assurance PLC

- A D Pereira

Cinnamon Hotel Management Ltd

- J R Gunaratne
- 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.

John Keells Holdings PLC

- D A Cabraal
- A N Fonseka
- M A Omar
- M P Perera
- S S H Wijayasuriya

Ceylon Cold Stores PLC

- S T Ratwatte
- R S W Wijeratnam

John Keells PLC

- A K Gunawardhana
- B A I Rajakarier
- C N Wijewardene

John Keells Hotels PLC

- A K Moonesinghe
- T L F W Jayasekara
- K A Gunasekera (appointed 6 November 2019)

Keells Food Products PLC

- S De Silva
- A E H Sanderatne
- I Samarajiva
- P D Samarasinghe

Union Assurance PLC

- D H Fernando
- H A J De Silva Wijeyeratne

Trans Asia Hotels PLC

- J C Ponniah

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 Eighth, Ninth and Tenth plans approved by the shareholders on 28 June 2014, 24 June 2016 and 28 June 2019 respectively.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' Report, as required by the Listing Rules of the Colombo Stock Exchange, are given under the Share Information section of the Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The highest, lowest and the closing prices of the Company shares were LKR. 172.00, LKR. 113.90 and LKR. 115.40, respectively.

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.

The number of persons employed by the Company and Group as at 31 March 2020 was 95 (2019 - 195) and 14,821 (2019 – 14,280), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

Supplier Policy
The Group applies an overall policy of agreeing and clearly communicating the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. As at 31 March 2020, the trade and other payables of the Company and Group amounted to LKR. 423 Mn (2019 - LKR. 347 Mn) and LKR. 23,881 Mn (2019 - LKR. 19,745 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. The entire sourcing process, from supplier identification to contracting, and supplier management for products and services was conducted through the electronic platform, during the year under review. This platform provided numerous benefits ranging from shortening of contracting life cycles, increased visibility of the sourcing process, accurate analytics and saving of paper.

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 table from page 163 to 166 shows the manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance.

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 fifth 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) The 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 LKR. 3.5 Mn (2019 - LKR. 0.5 Mn) and LKR. 4.9 Mn (2019 - LKR. 4.9 Mn), respectively. These amounts do not include contributions on account of corporate social responsibility (CSR) initiatives.

Statutory Payments
The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of, the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or, where relevant, provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

Compliance with Laws and Regulations
To the best of knowledge and belief of the Directors, the Company and the Group 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

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis. In March 2020, each industry group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios , relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook for each industry group to the JKH Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied 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.

Annual Report

The Board of Directors approved the consolidated financial statements on 21 May 2020. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board as required.

Annual General Meeting

The Board of Directors is closely monitoring the ongoing developments in the Country due to the COVID -19 pandemic and the resultant directives issued by the regulatory authorities. Given the unprecedented nature of these events and the fact that the health and wellbeing of all Meeting attendees is of paramount importance, the date, venue of the Annual General Meeting and the business to be transacted in terms of the agenda of the Meeting, will be notified to Shareholders in due course.

By Order of the Board

Krishan Balendra

Director

Director

Keells Consultants (Pvt) Ltd.
Secretaries
21 May 2020

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.

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
21 May 2020

INDEPENDENT AUDITORS' REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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Tax : +94 11 55781
eysl@lk.ey.com
ey.com

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 2020, 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 2020, 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
Measurement of carrying value of land and buildings Included within Property, Plant and Equipment and Investment Property are land and buildings carried at fair value. As of reporting date, such land and buildings within Property, Plant and Equipment and Investment Property amounted to Rs. 87.18 Bn & Rs. 15 Bn respectively of which 55% was contributed by entities in leisure segment. The fair values of land and buildings were determined by the external valuers engaged by the Group. The valuation of land and buildings was considered a key audit matter due to the use of significant judgments and estimates, including Management's assessment of Going Concern of the companies in its leisure segment in the wake of the COVID 19 outbreak and the relevant matters are disclosed in notes 22.3, 24 and 8 in the financial statements.	Our audit procedures included the following; • we evaluated the competence, capability and objectivity of the external valuers engaged by the Group; • we read the external valuers reports and understood the key estimates made and the approach taken by the valuers in determining the valuation of land and buildings; • we engaged our internal specialized resources to assist us in assessing appropriateness of the valuation techniques used and the reasonableness of the significant judgements and assumptions such as per perch price and value per square foot used by the valuers as disclosed in notes 22.3 and 24. • we evaluated Management's assessment of Going Concern of the companies in the Leisure Segment and consideration given to probable effects of COVID 19 on operations in assessing the Fair Value of the Leisure Segment land and buildings. • we have also assessed the adequacy of the disclosures made in notes 22.3, 24 and 8 in the financial statements.

Insurance Contract Liabilities The Group has significant insurance contract liabilities of LKR 38.2 Bn which represents 20% of the Group's total liabilities. The valuation of the insurance contract liabilities in relation to the life business required the application of significant assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus and expenses and assessing the completeness and accuracy of the information used in the underlying valuations. Changes in such significant assumptions used in the valuation of the insurance contract liabilities directly impacts the change in insurance contract liabilities in the income statement.	Our audit procedures focused on the valuations performed by the external actuary engaged by the subsidiary company of the Group and included the following; • we involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonableness of the assumptions and test the controls on sample basis over the process of estimating the insurance contract liabilities. • we engaged our internal expert to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities • we assessed the adequacy of the disclosures and the movement in the insurance contract liabilities.

Other information included in the 2019/20 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2471.

21 May 2020
Colombo

INCOME STATEMENT

For the year ended 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
Continuing operations					
Revenue from contracts with customers		128,921,632	124,818,922	1,462,190	1,721,687
Revenue from insurance contracts		11,120,928	10,637,226	-	-
Total revenue	14	140,042,560	135,456,148	1,462,190	1,721,687
Cost of sales		(113,960,929)	(107,668,833)	(995,038)	(839,306)
Gross profit		26,081,631	27,787,315	467,152	882,381
Dividend income	15	-	-	6,367,610	7,187,071
Other operating income	16.1	2,241,751	1,925,698	45,737	266,834
Selling and distribution expenses		(5,518,526)	(5,939,294)	-	-
Administrative expenses		(13,143,112)	(12,411,130)	(1,186,005)	(1,263,484)
Other operating expenses	16.2	(2,872,908)	(3,705,496)	(25,939)	(98,354)
Results from operating activities		6,788,836	7,657,093	5,668,555	6,974,448
Finance cost	17	(3,165,519)	(2,722,289)	(237,046)	(184,544)
Finance income	17	9,357,342	12,051,601	3,822,342	6,351,370
Change in insurance contract liabilities	36.2	(5,617,431)	(3,422,893)	-	-
Change in fair value of investment property	24	573,373	324,653	-	-
Share of results of equity accounted investees (net of tax)	27.3	4,466,457	4,727,345	-	-
Profit before tax		12,403,058	18,615,510	9,253,851	13,141,274
Tax expense	21.1	(2,662,263)	(2,378,114)	(614,311)	(1,139,058)
Profit for the year		9,740,795	16,237,396	8,639,540	12,002,216
Attributable to:					
Equity holders of the parent		9,413,788	15,254,126		
Non-controlling interests		327,007	983,270		
		9,740,795	16,237,396		
		LKR.	LKR.		
Earnings per share					
Basic	19.1	7.14	11.13		
Diluted	19.2	7.14	11.13		
Dividend per share	20	3.50	6.00		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 188 to 270 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
Profit for the year		9,740,795	16,237,396	8,639,540	12,002,216
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		5,464,311	6,133,985	-	-
Net gain/(loss) on cash flow hedges		(935,954)	(169,713)	-	-
Net gain/(loss) on financial instruments at fair value through other comprehensive income		500,154	(140,413)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		725,078	839,565	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		5,753,589	6,663,424	-	-
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		22,028	(25,937)	15,024	(25,937)
Revaluation of land and buildings		2,855,920	2,250,474	-	-
Re-measurement gain / (loss) on defined benefit plans	38.2	109,054	29,050	7,840	994
Share of other comprehensive income of equity accounted investees (net of tax)		74,729	303,712	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		3,061,731	2,557,299	22,864	(24,943)
Tax on other comprehensive income	21.1	(313,423)	(405,806)	-	-
Other comprehensive income for the period, net of tax		8,501,897	8,814,917	22,864	(24,943)
Total comprehensive income for the period, net of tax		18,242,692	25,052,313	8,662,404	11,977,273
Attributable to :					
Equity holders of the parent		16,581,451	23,207,536		
Non-controlling interests		1,661,241	1,844,777		
		18,242,692	25,052,313		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 188 to 270 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March In LKR '000s	Note	2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	22	111,533,759	97,688,488	144,353	160,542
Right- of - use assets	23	37,170,270	-	-	-
Lease rentals paid in advance	23	-	14,412,888	-	-
Investment property	24	15,007,996	13,985,379	-	-
Intangible assets	25	3,288,989	3,405,692	102,542	93,712
Investments in subsidiaries	26	-	-	87,835,917	77,245,896
Investments in equity accounted investees	27	28,329,492	25,169,094	10,381,881	10,286,492
Non-current financial assets	28	40,078,469	35,186,305	284,978	281,269
Deferred tax assets	21.4	902,382	1,252,978	-	-
Other non-current assets	29	79,582,749	77,274,785	18,842	27,113
		315,894,106	268,375,609	98,768,513	88,095,024
Current assets					
Inventories	30	50,168,754	9,547,014	-	-
Trade and other receivables	31	12,186,327	14,420,945	125,451	106,120
Amounts due from related parties	44.1	389,766	225,634	681,617	181,226
Other current assets	32	6,513,353	5,515,708	1,124,829	78,435
Short term investments	33	38,457,970	52,756,625	27,372,003	41,594,883
Cash in hand and at bank		13,333,743	12,955,209	176,662	3,570,428
		121,049,913	95,421,135	29,480,562	45,531,092
Total assets		436,944,019	363,796,744	128,249,075	133,626,116
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	34	62,881,295	62,806,482	62,881,295	62,806,482
Revenue reserves		87,885,071	82,834,219	59,631,436	55,598,189
Other components of equity	34.2	66,085,354	58,646,116	2,724,944	2,400,739
		216,851,720	204,286,817	125,237,675	120,805,410
Non-controlling interest		26,872,142	26,071,923	-	-
Total equity		243,723,862	230,358,740	125,237,675	120,805,410
Non-current liabilities					
Insurance contract liabilities	36	38,185,839	32,833,058	-	-
Interest-bearing loans and borrowings	37	70,835,470	21,276,504	289,705	559,382
Deferred tax liabilities	21.4	8,294,955	7,756,673	-	-
Employee benefit liabilities	38	2,343,911	2,085,826	171,450	157,009
Non-current financial liabilities	39	3,619,863	1,652,138	-	-
Other non-current liabilities	40	12,613,909	10,276,667	-	-
		135,893,947	75,880,866	461,155	716,391
Current liabilities					
Trade and other payables	41	23,881,479	19,744,821	423,393	346,926
Amounts due to related parties	44.2	2,073	92,532	777	12,537
Income tax liabilities	21.3	1,747,597	1,504,819	389,510	225,587
Short term borrowings	42	5,803,771	9,970,906	-	4,000,010
Interest-bearing loans and borrowings	37	6,588,682	3,204,613	316,042	293,500
Other current liabilities	43	1,623,137	2,978,728	3,375	5,646
Bank overdrafts		17,679,471	20,060,719	1,417,148	7,220,109
		57,326,210	57,557,138	2,550,245	12,104,315
Total equity and liabilities		436,944,019	363,796,744	128,249,075	133,626,116

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.

Krishan Balendra

K N J Balendra
Chairman

J G A Cooray
Deputy Chairman/Group Finance Director

The accounting policies and notes as set out in pages 188 to 270 form an integral part of these financial statements.

21 May 2020
Colombo

STATEMENT OF CASH FLOWS

		Group		Company	
For the year ended 31 March In LKR '000s	Note	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before working capital changes	A	9,358,543	9,995,954	(491,479)	(140,535)
(Increase) / Decrease in inventories		762,708	(2,857,473)	-	-
(Increase) / Decrease in trade and other receivables		5,905,226	4,205,287	(271,718)	12,360
(Increase) / Decrease in other current assets		(446,750)	(1,393,662)	(1,046,394)	120,542
(Increase) / Decrease in other non-current assets		(42,265,062)	(23,675,438)	8,271	(6,389)
Increase / (Decrease) in trade, other payables and other non-current liabilities		8,559,141	8,787,720	118,036	6,611
Increase / (Decrease) in other current liabilities		(1,384,363)	(515,428)	(2,271)	319
Increase / (Decrease) in insurance contract liabilities		5,352,781	2,602,519	-	-
Cash generated from operations		(14,157,776)	(2,850,521)	(1,685,555)	(7,092)
Finance income received		7,396,363	9,924,985	3,927,084	4,298,933
Finance cost paid		(3,305,442)	(1,598,646)	(237,046)	(190,040)
Dividend received		2,348,397	3,088,196	6,119,610	7,261,856
Tax paid		(2,393,267)	(3,486,777)	(450,388)	(1,585,105)
Gratuity paid		(238,597)	(334,143)	(43,645)	(106,622)
Net cash flows from operating activities		(10,350,322)	4,743,094	7,630,060	9,671,930
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	22	(15,211,909)	(12,019,852)	(23,601)	(80,269)
Purchase of intangible assets	25	(386,663)	(1,809,775)	(33,953)	(62,190)
Addition to investment property	24	(1,011)	(1,233,668)	-	-
Purchase of lease rights		(1,676,013)	(582,176)	-	-
Investment in equity accounted investee		-	(420,561)	-	-
Investment in subsidiaries		-	-	-	(1,222,611)
Increase in interest in subsidiaries		-	-	(10,348,682)	(7,839,937)
Increase in interest in equity accounted investees		(242,589)	-	(95,389)	-
Proceeds from sale of property, plant and equipment and intangible assets		168,186	222,749	8,341	206
Proceeds from sale of non-current investments		-	-	2,008	301,474
Proceeds from sale of financial instruments - fair valued through profit or loss		1,036,510	535,147	-	-
Purchase of financial instruments - fair valued through profit or loss		(970,704)	(637,994)	-	-
(Purchase) / Disposal of short term investments (net)		(5,384,588)	10,004,171	(8,167,050)	9,355,139
(Purchase) / Disposal of non-current financial assets (net)		(4,369,983)	(2,510,360)	11,315	(54,085)
Net cash flows from/(used in) investing activities		(27,038,764)	(8,452,319)	(18,647,011)	397,727
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of shares		55,569	3,077	55,569	3,077
Repurchase of shares		-	(11,100,229)	-	(11,100,229)
Changes in non-controlling interest		170	310,554	-	-
Dividend paid to equity holders of parent		(4,614,133)	(8,186,450)	(4,614,133)	(8,186,450)
Dividend paid to shareholders with non-controlling interest		(647,601)	(732,298)	-	-
Proceeds from long term borrowings	37.1	33,268,809	3,797,498	-	898,125
Repayment of long term borrowings		(5,465,149)	(1,934,720)	(300,468)	(24,458)
Proceeds from (repayment of) other financial liabilities (net)		(4,167,135)	6,842,398	(4,000,010)	4,000,010
Net cash flows from / (used in) financing activities		18,430,530	(11,000,170)	(8,859,042)	(14,409,925)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(18,958,556)	(14,709,395)	(19,875,993)	(4,340,268)
CASH AND CASH EQUIVALENTS AT THE BEGINNING		27,718,478	42,427,873	26,782,682	31,122,950
CASH AND CASH EQUIVALENTS AT THE END		8,759,922	27,718,478	6,906,689	26,782,682
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (less than 3 months)	33	13,105,650	34,823,988	8,147,175	30,432,363
Cash in hand and at bank		13,333,743	12,955,209	176,662	3,570,428
Unfavourable balances					
Bank overdrafts		(17,679,471)	(20,060,719)	(1,417,148)	(7,220,109)
Total cash and cash equivalents		8,759,922	27,718,478	6,906,689	26,782,682

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 188 to 270 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
A Profit before working capital changes					
Profit before tax		12,403,058	18,615,510	9,253,851	13,141,274
Adjustments for:					
Finance income		(9,357,342)	(12,051,601)	(3,822,342)	(6,351,370)
Dividend income		-	-	(6,367,610)	(7,187,071)
Finance costs		3,165,519	2,722,289	237,046	184,544
Share based payment expense	35	328,425	475,629	87,085	144,665
Change in fair value of investment property	24	(573,373)	(324,653)	-	-
Share of results of equity accounted investees	27.3	(4,466,457)	(4,727,345)	-	-
Profit on sale of non-current investments	16.1	-	-	(2,008)	(234,845)
Depreciation of property, plant and equipment	22.1,22.2	4,185,820	3,657,780	33,532	36,870
Provision for impairment losses	16.2	1,108	174,700	-	46,600
(Profit) / loss on sale of property, plant and equipment and intangible assets	16.1, 16.2	97,007	58,546	(1,646)	9,999
Amortisation of right- of - use assets / lease rentals paid in advance	23.1	2,265,955	478,292	-	-
Amortisation of intangible assets	25	502,844	415,951	24,687	12,962
Employee benefit provision and related costs	38	605,736	477,599	65,926	55,837
Unrealised (gain) / loss on foreign exchange (net)		200,243	23,257	-	-
		9,358,543	9,995,954	(491,479)	(140,535)

STATEMENT OF CHANGES IN EQUITY

COMPANY In LKR '000s	Stated capital	Other capital reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total equity
As at 1 April 2018	62,802,327	1,916,415	35,710	62,881,658	127,636,110
Profit for the year	-	-	-	12,002,216	12,002,216
Other comprehensive income	-	-	(25,937)	994	(24,943)
Total comprehensive income	-	-	(25,937)	12,003,210	11,977,273
Exercise of share options	3,077	-	-	-	3,077
Share repurchase - 2018/19	-	-	-	(11,100,229)	(11,100,229)
Share based payments	1,078	474,551	-	-	475,629
Final dividend paid - 2017/18	-	-	-	(2,775,057)	(2,775,057)
Interim dividends paid - 2018/19	-	-	-	(5,411,393)	(5,411,393)
As at 31 March 2019	62,806,482	2,390,966	9,773	55,598,189	120,805,410
Profit for the year	-	-	-	8,639,540	8,639,540
Other comprehensive income	-	-	15,024	7,840	22,864
Total comprehensive income	-	-	15,024	8,647,380	8,662,404
Exercise of share options	55,569	-	-	-	55,569
Share based payments	19,244	309,181	-	-	328,425
Final dividend paid - 2018/19	-	-	-	(1,318,173)	(1,318,173)
Interim dividends paid - 2019/20	-	-	-	(3,295,960)	(3,295,960)
As at 31 March 2020	62,881,295	2,700,147	24,797	59,631,436	125,237,675

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 188 to 270 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP In LKR '000s	Attributable to equity holders of the parent										
	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total	Non controlling interests	Total equity
As at 31 March 2018	62,802,327	3,123,554	34,145,712	9,435,591	565,932	1,916,415	665,059	87,265,501	199,920,091	24,944,488	224,864,579
Impact of adopting SLFRS 9 (equity accounted investees)	-	-	-	-	-	-	-	(328,435)	(328,435)	-	(328,435)
Profit for the year	-	-	-	-	-	-	-	15,254,126	15,254,126	983,270	16,237,396
Other comprehensive income	-	-	1,783,752	6,503,998	(163,286)	-	(192,890)	21,836	7,953,410	861,507	8,814,917
Total comprehensive income	-	-	1,783,752	6,503,998	(163,286)	-	(192,890)	15,275,962	23,207,536	1,844,777	25,052,313
Transfer to restricted regulatory reserve	-	385,640	-	-	-	-	-	(385,640)	-	-	-
Exercise of share options	3,077	-	-	-	-	-	-	-	3,077	-	3,077
Share repurchase - 2018/19	-	-	-	-	-	-	-	(11,100,229)	(11,100,229)	-	(11,100,229)
Share based payments	1,078	-	-	-	-	474,551	-	-	475,629	-	475,629
Final dividend paid - 2017 /18	-	-	-	-	-		-	(2,775,057)	(2,775,057)	-	(2,775,057)
Interim dividends paid - 2018/19	-	-	-	-	-	-	-	(5,411,393)	(5,411,393)	-	(5,411,393)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	254,108	254,108	(986,406)	(732,298)
Acquisition, disposal and changes in non-controlling interest	-	-	2,088	-	-	-	-	39,402	41,490	269,064	310,554
As at 31 March 2019	62,806,482	3,509,194	35,931,552	15,939,589	402,646	2,390,966	472,169	82,834,219	204,286,817	26,071,923	230,358,740
Profit for the year	-	-	-	-	-	-	-	9,413,788	9,413,788	327,007	9,740,795
Other comprehensive income	-	-	1,688,441	5,716,075	(911,126)	-	622,661	51,612	7,167,663	1,334,234	8,501,897
Total comprehensive income	-	-	1,688,441	5,716,075	(911,126)	-	622,661	9,465,400	16,581,451	1,661,241	18,242,692
Transfer to restricted regulatory reserve	-	55,548	-					(55,548)	-		
Transfer from revaluation reserves to retained earnings	-	-	(42,373)	-	-	-	-	42,373	-	-	-
Exercise of share options	55,569	-	-	-	-	-	-	-	55,569	-	55,569
Share based payments	19,244	-	-	-	-	309,181	-	-	328,425	-	328,425
Final dividend paid - 2018/19	-	-	-	-	-	-	-	(1,318,173)	(1,318,173)	-	(1,318,173)
Interim dividends paid - 2019/20	-	-	-	-	-	-	-	(3,295,960)	(3,295,960)	-	(3,295,960)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	209,636	209,636	(857,237)	(647,601)
Acquisition, disposal and changes in non-controlling interest	-	-	831	-	-	-	-	3,124	3,955	(3,785)	170
As at 31 March 2020	62,881,295	3,564,742	37,578,451	21,655,664	(508,480)	2,700,147	1,094,830	87,885,071	216,851,720	26,872,142	243,723,862

* Fair value through other comprehensive income

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 188 to 270 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 2020 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 2020 were authorised for issue by the Board of Directors on 21 May 2020.

Principal activities and nature of operations of the holding Company

John Keells Holdings PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Statements of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2. Group information

Subsidiaries , associates and joint ventures

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

3. Basis of preparation

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and financial instruments measured at fair value through other comprehensive income that have been measured at fair value.

Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis. In March 2020, each industry group evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios , relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook for each industry group to the holding company Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

In determining the above significant management judgements, estimates and assumptions the impact of the COVID 19 pandemic has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (LKR):

Country of incorporation	Functional Currency	Name of the Subsidiary
India	Indian Rupee (INR)	Serene Holidays (Pvt) Ltd.
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd.
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd.
		John Keells Maldivian Resort (Pvt) Ltd.
		Mack Air Services Maldives (Pte) Ltd.
		Tranquility (Pte) Ltd.
		Travel Club (Pte) Ltd.
Mauritius	United States Dollar (USD)	John Keells BPO Holdings (Pvt) Ltd.
		John Keells BPO International (Pvt) Ltd.
Sri Lanka	United States Dollar (USD)	Waterfront Properties (Pvt) Ltd.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

All values are rounded to the nearest rupees thousand (LKR '000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

The indicative US Dollar financial statements under Supplementary Information section of the Annual Report do not form a part of the financial statements prepared in accordance with SLFRS/LKAS.

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

4. Summary of significant accounting policies

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not disclosed with individual notes

Following accounting policies, which have been applied consistently by the Group, are considered to be significant but not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation, foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

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

6. Changes in accounting standards

The Group applied SLFRS 16 for the first time. The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019/20, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. The Group has adopted SLFRS 16 using the modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

Lessor accounting under SLFRS 16 is substantially unchanged from under LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The effect of adoption SLFRS 16 as at 1 April 2019 is as follows:

Assets	
Property plant & equipment	(24,637)
Right of use assets	28,451,838
Lease rentals paid in advance	(14,412,889)
Other non-current assets	(572,650)
Other current assets	(20,591)
Total assets	13,421,071
Liabilities	
Interest-bearing loans and borrowings	13,629,028
Other deferred liabilities	(207,957)
Total Liabilities	13,421,071

a) Nature of the effect of adoption of SLFRS 16

Upon adoption of SLFRS 16, the Group applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The Group has lease contracts for various items such as land, offices, warehouses, retail stores and vehicles. Property leases are the major asset included in the right of use assets category, typically for between 5 to 99 years of lease term and have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. On adoption of SLFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of the transition date.

Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 April 2019.

Leases previously accounted for as operating leases

The Group recognised right of use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right of use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

Operating lease commitments as at 31 March 2019	12,310,306
Discounted operating lease commitments at 1 April 2019	8,312,730
Less:	
Commitments relating to short-term leases	(101,374)
Add:	
Commitments relating to leases previously classified as finance leases	27,443
Payments in optional extension periods not recognised as at 31 March 2019	5,390,229
Lease liabilities as at 1 April 2019	13,629,028

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 a significant impact on the consolidated financial statements of the Group.

The following amendments and improvements do not have a significant impact on the Group's financial statements.

- Plan Amendment, Curtailment or Settlement (Amendments to LKAS 19)
- IFRS Annual Improvement Cycle - 2015-2017

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 2021.

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

7. Standards issued but not yet effective (Contd.)

of the fair value of the related investments and other underlying items is paid to policyholders) such as the company's with-profits products, the CSM reflects the variable fee to shareholders. For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions.

SLFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement. In order to transition to SLFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined.

SLFRS 17 requires this CSM to be calculated as if the standard had applied retrospectively. However if this is not practical an entity is required to choose either a simplified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date. The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods.

SLFRS 17 Implementation Programme - Union Assurance PLC

SLFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. The effect of changes required to the company's accounting policies as a result of implementing these standards are currently uncertain, but these changes can be expected to, among other things, alter the timing of SLFRS profit recognition. Given the implementation of this standard is likely to involve significant enhancements to IT, actuarial and finance systems of the company, it will also have an impact on the company's expenses.

The company has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The programme is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Steering Committee, chaired by the Chief Financial Officer and General Manager Actuarial provides oversight and strategic direction to the implementation programme.

The company remains on track to start providing SLFRS 17 financial statements in line with the requirements for interim reporting at its effective date, which is currently expected to be 2021.

GROUP BUSINESS, OPERATIONS AND MANAGEMENT

8. Operating segment information

Accounting policy

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risks and returns are similar. The operating segments represent this business structure.

In addition, segments are determined based on the Group's geographical spread of operations as well. The geographical analysis of turnover and profits are based on location of customers and assets respectively.

The activities of each of the operating business segments of the Group are detailed in the Group directory in the Supplementary section of the Annual report.

The Group has now organised its business units into seven reportable operating segments based on their products and services as follows:

Transportation

This operating segment provides an array of transportation related services, which comprise of a container terminal in the Port of Colombo, a marine bunkering business, domestic airline, joint venture/associations with leading shipping, logistics and air transportation multinationals as well as travel and airlines services in Sri Lanka and the Maldives.

Consumer Foods
Consumer foods segment focuses on manufacturing of a wide range of soft drinks, dairy products, ice creams and processed foods which competes in three major categories namely beverages, frozen confectionery and convenience foods.

Retail
Retail segment focuses on modern organised retailing through a chain of supermarkets and distribution of printers, copiers, smart phones and other office automation equipment.

Leisure
The leisure segment comprises of five-star city hotels, a lean luxury hotel, resort hotels spread across prime tourist locations in Sri Lanka, as well as destination management business in Sri Lanka.

Property
Property segment concentrates primarily on property development, renting of commercial office spaces and management of the Group's real estate.

Financial Services
The segment engages in a broad range of financial services including insurance, commercial banking, debt trading, fund management, leasing and stock broking.

Others
This reportable segment represents companies in the plantation industry, Information technology, management and holding Company of the group as well as several ancillary companies.

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.

Further to the disclosure made in Note 3, some of the key assumptions used in the scenario analysis performed for each segment are listed below,

Segment	Variable Assumption
Leisure	Occupancy Rates , Room Revenue , Food Revenue , Beverage Revenue
Transportation	Business Volumes
Consumer Food	Business Volumes
Retail	Business Volumes
Financial Services	New Business , Renewals
Property	Customer collections
Other	Business Volumes

8. Operating segment information (Contd.)
8.1 Business segments

	Transportation		Consumer Foods		Retail	
For the year ended 31 March In LKR '000s	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	22,592,648	22,877,707	18,515,394	17,460,880	65,890,523	55,764,663
Services transferred over time	2,467,810	2,423,223	-	-	95,978	82,555
Total segment revenue	25,060,458	25,300,930	18,515,394	17,460,880	65,986,501	55,847,218
Elimination of inter segment revenue						
External revenue						
Segment results	1,070,319	768,839	2,472,843	2,083,890	3,168,185	1,242,905
Finance cost	(133,389)	(124,963)	(229,646)	(215,584)	(1,704,037)	(581,203)
Finance income	152,238	134,487	51,720	56,131	44,821	25,480
Change in fair value of investment property	-	-	42,388	25,433	-	-
Share of results of equity accounted investees	2,997,682	3,435,160	-	-	-	-
Eliminations / adjustments	-	31,671	(6,981)	(3,212)	(16,859)	(2,912)
Profit / (loss) before tax	4,086,850	4,245,194	2,330,324	1,946,658	1,492,110	684,270
Tax expense	(125,128)	(63,108)	(685,920)	(584,900)	(421,897)	(220,165)
Profit/ (loss) for the year	3,961,722	4,182,086	1,644,404	1,361,758	1,070,213	464,105
Purchase and construction of PPE*	240,974	299,665	1,197,535	1,881,488	3,431,613	4,997,625
Addition to IA*	710	1,078	3,957	550	271,521	339,716
Depreciation of PPE*	195,087	190,845	843,738	744,419	1,063,266	829,535
Amortisation of IA*	2,167	2,146	2,568	2,839	76,006	43,269
Amortisation of ROU* / LRPA*	-	-	5,991	3,026	773,765	-
Employee benefit provision and related costs	28,046	19,479	102,184	86,834	74,053	58,026

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, LRPA - Lease rentals paid in advance

Leisure		Property		Financial Services		Others		Group Total	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
-	-	-	-	-	-	2,109,139	2,171,257	109,107,704	98,274,507
17,634,628	23,885,701	826,212	946,883	11,249,518	10,830,517	3,811,329	3,150,514	36,085,475	41,319,393
17,634,628	23,885,701	826,212	946,883	11,249,518	10,830,517	5,920,468	5,321,771	145,193,179	139,593,900
								(5,150,619)	(4,137,752)
								140,042,560	135,456,148
(969,286)	2,563,625	(175,195)	37,470	1,233,475	2,754,184	(823,932)	(354,050)	5,976,409	9,096,863
(670,849)	(265,883)	(30,262)	(37,176)	(61,028)	(1,172,102)	(336,308)	(325,378)	(3,165,519)	(2,722,289)
250,928	400,007	148,174	173,379	200,655	153,956	3,924,111	6,459,901	4,772,647	7,403,341
21,504	52,399	455,085	106,454	-	-	54,396	140,367	573,373	324,653
(8,307)	55,893	95,173	(32,904)	1,381,909	1,269,196	-	-	4,466,457	4,727,345
(164,180)	(177,059)	(30,800)	(56,681)	-	-	(1,489)	(6,210)	(220,309)	(214,403)
(1,540,190)	2,628,982	462,175	190,542	2,755,011	3,005,234	2,816,778	5,914,631	12,403,058	18,615,510
(7,929)	(395,578)	(136,636)	(101,456)	(532,793)	1,040,783	(751,960)	(2,053,690)	(2,662,263)	(2,378,114)
(1,548,119)	2,233,404	325,539	89,086	2,222,218	4,046,017	2,064,818	3,860,941	9,740,795	16,237,396
9,836,772	4,346,180	293,421	178,092	85,462	158,540	126,132	158,262	15,211,909	12,019,852
24,669	85,171	-	32,649	35,961	1,263,218	49,845	87,393	386,663	1,809,775
1,819,606	1,615,572	48,830	74,180	86,176	75,066	129,117	128,163	4,185,820	3,657,780
65,215	52,250	6,750	742	318,080	295,647	32,058	19,058	502,844	415,951
1,347,421	453,958	19,866	20,133	117,737	-	1,175	1,175	2,265,955	478,292
195,339	169,917	2,855	4,858	72,615	30,063	130,644	108,422	605,736	477,599

8. Operating segment information (Contd.)

8.2. Business segments

As at 31 March In LKR '000s	Transportation 2020	Transportation 2019	Consumer Foods 2020	Consumer Foods 2019	Retail 2020	Retail 2019
Property, plant and equipment	1,058,895	1,013,586	9,787,579	9,322,821	12,759,302	10,400,179
Right-of-use-assets	2,420	-	238,275	-	8,405,902	-
Lease rentals paid in advance	-	-	-	143,237	-	582,176
Investment property	-	7,662	296,421	254,034	-	-
Intangible assets	8,342	11,556	249,290	247,900	535,896	341,148
Non-current financial assets	153,004	142,837	172,527	181,764	132,965	151,432
Other non-current assets	20,486	22,508	55,962	53,241	881,782	1,185,653
Segment non-current assets	1,243,147	1,198,149	10,800,054	10,202,997	22,715,847	12,660,588
Investments in equity accounted investees	13,444,422	11,993,153	-	-	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	729,864	1,290,816	2,065,766	1,740,779	5,361,774	5,889,251
Trade and other receivables	1,896,377	2,509,977	2,623,940	2,806,119	2,649,605	2,615,831
Short term investments	205,320	310,960	14,706	89,476	449,088	10,064
Cash in hand and at bank	4,495,130	3,088,749	323,546	291,851	240,814	931,508
Segment current assets	7,326,691	7,200,502	5,027,958	4,928,225	8,701,281	9,446,654
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest-bearing loans and borrowings	2,333	-	1,168,101	1,458,333	7,334,023	27,443
Employee benefit liabilities	94,899	80,255	548,681	465,817	254,210	211,578
Non current financial liability	-	-	-	-	-	-
Other non-current liabilities	-	-	117,940	137,590	-	21,022
Segment non-current liabilities	97,232	80,255	1,834,722	2,061,740	7,588,233	260,043
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	1,853,419	1,875,049	1,726,140	1,796,864	8,797,570	7,911,556
Short term borrowings	4,073,865	3,485,908	-	-	1,984,311	2,494,393
Interest-bearing loans and borrowings	-	-	554,498	523,147	237,954	-
Bank overdrafts	409,700	767,891	1,637,251	1,000,085	9,200,324	7,616,440
Segment current liabilities	6,336,984	6,128,848	3,917,889	3,320,096	20,220,159	18,022,389
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	8,569,838	8,398,651	15,828,012	15,131,222	31,417,128	22,107,242
Total segment liabilities	6,434,216	6,209,103	5,752,611	5,381,836	27,808,392	18,282,432

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	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
57,493,120	48,150,299	4,795,211	4,437,594	2,491,822	2,089,459	1,377,581	1,350,725	89,763,510	76,764,663
26,859,174	-	225,680	-	278,669	-	37,155	-	36,047,275	-
-	12,206,110	-	227,978	-	-	-	38,330	-	13,197,831
4,522,725	4,338,796	31,311,293	28,752,959	-	-	865,776	1,753,332	36,996,215	35,106,783
308,129	348,675	29,336	5,327	1,316,147	1,410,850	158,098	169,069	2,605,238	2,534,525
6,722,027	6,231,552	227,449	607,685	38,561,535	33,285,655	333,040	346,930	46,302,547	40,947,855
37,318	42,016	78,973,882	76,337,994	112,579	109,713	32,954	48,017	80,114,963	77,799,142
95,942,493	71,317,448	115,562,851	110,369,537	42,760,752	36,895,677	2,804,604	3,706,403	291,829,748	246,350,799
1,394,583	1,279,836	1,883,293	1,788,120	11,607,194	10,107,985	-	-	28,329,492	25,169,094
								902,382	1,252,978
								738,596	738,596
								(5,906,112)	(5,135,858)
								315,894,106	268,375,609
426,131	313,126	41,407,129	17,020	12,514	16,771	198,206	304,621	50,201,384	9,572,384
3,340,894	4,025,035	121,086	832,313	1,184,041	1,336,770	1,038,157	541,338	12,854,100	14,667,383
3,199,538	3,325,555	888,226	619,988	8,205,827	7,497,116	27,661,442	41,982,898	40,624,147	53,836,057
1,463,798	1,472,607	1,726,800	1,200,592	1,063,919	661,322	2,117,976	5,246,170	11,431,983	12,892,799
8,430,361	9,136,323	44,143,241	2,669,913	10,466,301	9,511,979	31,015,781	48,075,027	115,111,614	90,968,623
								6,513,353	5,515,708
								(575,054)	(1,063,196)
								121,049,913	95,421,135
								436,944,019	363,796,744
-	-	-	-	38,185,839	32,833,058	-	-	38,185,839	32,833,058
29,672,181	8,828,076	38,359,076	16,128,195	163,849	-	289,705	571,382	76,989,268	27,013,429
813,935	786,638	110,174	55,650	204,579	143,928	317,434	341,961	2,343,912	2,085,827
-	-	3,619,863	1,652,138	-	-	-	-	3,619,863	1,652,138
93,353	209,754	12,402,802	9,908,467	-	-	487	507	12,614,582	10,277,340
30,579,469	9,824,468	54,491,915	27,744,450	38,554,267	32,976,986	607,626	913,850	133,753,464	73,861,792
								8,294,955	7,756,673
								(6,154,472)	(5,737,599)
								135,893,947	75,880,866
2,281,147	2,479,694	6,005,379	2,360,443	2,708,601	2,828,106	1,032,217	740,366	24,404,473	19,992,079
1,914,264	1,069,368	-	-	-	-	12,074	4,012,084	7,984,514	11,061,753
2,181,614	1,249,235	3,310,571	1,138,731	101,110	-	316,042	293,500	6,701,789	3,204,613
3,789,101	1,739,491	937,611	1,366,179	331,411	408,698	1,446,072	7,233,934	17,751,470	20,132,718
10,166,126	6,537,788	10,253,561	4,865,353	3,141,122	3,236,804	2,806,405	12,279,884	56,842,246	54,391,163
								1,747,597	1,504,819
								1,623,137	2,978,728
								(2,886,770)	(1,317,571)
								57,326,210	57,557,139
								193,220,157	133,438,005
104,372,854	80,453,771	159,706,092	113,039,450	53,227,053	46,407,656	33,820,385	51,781,430	406,941,362	337,319,422
40,745,595	16,362,256	64,745,476	32,609,803	41,695,389	36,213,790	3,414,031	13,193,734	190,595,710	128,252,955

NOTES TO THE FINANCIAL STATEMENTS

8. Operating segment information (Contd.)

8.3 Business Segment analysis - Disaggregation of revenue - Business segment analysis

For the year ended 31 March In LKR '000s	GROUP 2020 Sale of goods	 Rendering of services	 Total revenue	 2019 Sale of goods	 Rendering of services	 Total revenue
Transportation	22,592,648	1,356,183	23,948,831	22,877,707	1,468,741	24,346,448
Consumer Foods	17,004,471	-	17,004,471	16,207,641	-	16,207,641
Retail	65,753,430	95,465	65,848,895	55,667,194	82,555	55,749,749
Leisure	-	17,598,572	17,598,572	-	23,857,951	23,857,951
Property	-	589,760	589,760	-	711,319	711,319
Financial Services	-	11,248,908	11,248,908	-	10,829,492	10,829,492
Others	2,109,139	1,693,984	3,803,123	2,171,257	1,582,291	3,753,548
Group revenue	107,459,688	32,582,872	140,042,560	96,923,799	38,532,349	135,456,148

8.4 Disaggregation of revenue - Geographical segment analysis (by location of customers)

For the year ended 31 March In LKR '000s	GROUP 2020	 2019
Sri Lanka	99,982,012	96,973,978
Asia (excluding Sri Lanka)	15,895,870	15,791,970
Europe	12,503,073	12,168,695
Others	11,661,605	10,521,505
Group external revenue	140,042,560	135,456,148

8.5 Geographical segments, based on the location of assets

	Sri Lanka		Asia (excluding Sri Lanka)		Group Total	
In LKR '000s	2020	2019	2020	2019	2020	2019
Group external revenue	134,597,022	130,084,857	5,445,538	5,371,291	140,042,560	135,456,148
Segment revenue	139,747,641	134,222,609	5,445,538	5,371,291	145,193,179	139,593,900
Segment results	5,505,362	8,734,724	471,047	362,139	5,976,409	9,096,863
Segment assets	364,695,109	309,978,928	42,246,253	27,340,494	406,941,362	337,319,422
Segment liabilities	164,223,144	116,285,272	26,371,892	11,967,683	190,595,036	128,252,955
Purchase and construction of property, plant and equipment	9,771,472	9,287,922	5,440,437	2,731,930	15,211,909	12,019,852
Purchase and construction of intangible assets	386,663	1,809,775	-	-	386,663	1,809,775
Depreciation of property, plant and equipment	3,562,006	3,234,914	623,814	422,866	4,185,820	3,657,780
Amortisation of intangible assets	502,844	415,951	-	-	502,844	415,951
Amortisation of right- of - use assets / lease rentals paid in advance	981,484	39,777	1,284,471	438,515	2,265,955	478,292
Employee benefit provision and related costs	605,736	477,599	-	-	605,736	477,599
Investments in equity accounted investees	28,329,492	25,169,094	-	-	28,329,492	25,169,094

9. Basis of consolidation and material partly owned subsidiaries

Accounting policy

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of reporting period. Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Control over an investee

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Consolidation of entities in which the Group holds less than a majority of voting rights

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Subsidiaries that are consolidated have been listed in the Group directory under Supplementary section of the annual report.

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

	% Holding
Rajawella Holdings Ltd.	49.85
Mack Air Services Maldives (Pte) Ltd.	49.00
Tea Smallholder Factories PLC.	37.62

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31 March, using consistent accounting policies.

Transactions eliminated on consolidation

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Loss of control

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

Non-controlling interest (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The Consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

9. Basis of consolidation and material partly owned subsidiaries (Contd.)

9.1 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below.

	LEISURE		CONSUMER FOODS		RETAIL	
In LKR '000s	2020	2019	2020	2019	2020	2019
Summarised income statement for the year ended 31 March						
Revenue	19,290,291	25,879,890	18,693,655	17,460,880	65,986,501	55,847,218
Operating cost	(19,972,792)	(22,797,185)	(15,436,296)	(14,664,088)	(62,799,780)	(54,595,690)
Finance cost	(670,849)	(265,883)	(230,477)	(215,584)	(1,722,573)	(581,203)
Finance income	250,928	400,007	51,720	56,131	44,821	24,936
Change in fair value of investment property	183,929	218,999	42,388	25,433	-	-
Profit before tax	(918,493)	3,435,828	3,120,990	2,662,772	1,508,969	695,261
Tax expense	(8,694)	(396,070)	(685,920)	(584,900)	(418,149)	(218,104)
Profit for the year	(927,187)	3,039,758	2,435,070	2,077,872	1,090,820	477,157
Other comprehensive income	(1,814,198)	2,489,837	1,163,154	3,100,565	(66,408)	16,007
Total comprehensive income	(2,741,385)	5,529,595	3,598,224	5,178,437	1,024,412	493,164
Profit/(loss) allocated to NCI	(271,607)	349,329	295,106	234,645	125,508	61,636
Dividend paid to NCI	137,825	166,117	320,504	277,612	154,517	350,105
Summarised statement of financial position as at 31 March						
Current assets	8,430,361	9,140,715	5,027,958	4,928,225	8,542,783	9,008,044
Non-current assets	95,942,494	71,317,448	10,800,053	10,202,997	21,573,581	12,053,767
Total assets	104,372,855	80,458,163	15,828,011	15,131,222	30,116,364	21,061,811
Current liabilities	10,158,215	6,542,180	3,917,889	3,320,096	19,960,241	16,343,464
Non-current liabilities	30,508,388	9,824,468	1,716,782	2,061,740	7,588,233	260,043
Total liabilities	40,666,603	16,366,648	5,634,671	5,381,836	27,548,474	16,603,507
Accumulated balances of NCI	11,383,512	12,470,092	3,475,127	2,805,797	1,052,623	460,163
Summarised statement of cash flows for the year ended 31 March						
Cash flows from/(used in) operating activities	2,621,334	7,455,908	2,160,094	3,796,062	4,760,370	(99,174)
Cash flows from/(used in) investing activities	(11,075,782)	(3,696,335)	(415,661)	(5,944,099)	(3,152,935)	(5,316,530)
Cash flows from/(used in) financing activities	5,891,583	(3,031,700)	(2,423,421)	709,362	(3,095,220)	1,569,309
Net increase / (decrease) in cash and cash equivalents	(2,562,865)	727,873	(678,988)	(1,438,675)	(1,487,785)	(3,846,396)

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	2020	2019
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%
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%	20.75%
Serene Holidays (Pvt) Ltd.	1.65%	1.26%
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%	1.49%
Wirawila Walk Inn Ltd.	19.68%	19.68%
Yala Village (Pvt) Ltd.	24.67%	24.67%

Accounting judgements, estimates and assumptions

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control).

The Group considers that it controls some subsidiaries even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of those subsidiaries with equity interest. The remaining equity shares in those subsidiaries are widely held by many other shareholders, and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Considering the Group balances, none of the individual partly-owned subsidiaries have material non-controlling interest. However, the above information has been presented on the aggregated interests in similar entities namely, the Leisure and Consumer Foods and Retail (CFR) segment, based on the nature and risks of the products and services.

10. Business combinations and acquisitions of non-controlling interests

Accounting policy

Business combinations & goodwill

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9.

10. Business combinations and acquisitions of non-controlling interests (Contd.)

Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill

Goodwill is tested for impairment annually (as at 31 March) and 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 2019/20

Waterfront Properties (Pvt) Ltd (WPL)

John Keells Holdings PLC. (JKH) further invested LKR 10,349 Mn (2019 - LKR 6,750 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.

10.2 Investment in equity accounted investees 2019/20

Nations Trust Bank PLC (NTB)

John Keells Holdings PLC. (JKH) further invested LKR 95.3 Mn in NTB to purchase 1.15 Mn non-voting shares.

Indra Hotels and Resorts Kandy (Pvt) Ltd (IHRK)

John Keells Hotels PLC has further invested LKR 145 Mn (2019 - LKR 421Mn) in IHRK – Lean luxury segment of Cinnamon Hotels and Resorts, Cinnamon red will expand to Kandy with the construction of Cinnamon red Kandy.

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.

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		2020						
In LKR '000s	Notes	Non current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties	Total	% of allocation
Group								
Government securities	11.1.2	27,478,202	-	-	2,948,578	-	30,426,780	30%
Corporate debt securities	11.1.3	8,038,787	-	-	553,010	-	8,591,797	8%
Deposits with banks	11.1.4	1,496,562	-	-	32,086,437	-	33,582,999	33%
Loans to executives	11.1.5	971,913	-	324,551	-	-	1,296,464	1%
Loans to life policyholders	11.1.6	1,627,555	-	-	-	-	1,627,555	2%
Preference Shares	11.1.7	320,957	-	-	-	-	320,957	0%
Interest rate swap	11.1.8	-	-	-	-	-	-	-
Trade and other receivables	11.1.9	-	-	11,059,966	-	-	11,059,966	11%
Reinsurance receivables	11.1.10	-	-	421,297	-	-	421,297	0%
Premium receivable	11.1.11	-	-	380,513	-	-	380,513	0%
Amounts due from related parties	11.1.12	-	-	-	-	389,766	389,766	0%
Cash in hand and at bank	11.1.13	-	13,333,743	-	-	-	13,333,743	15%
Total credit risk exposure		39,933,976	13,333,743	12,186,327	35,588,025	389,766	101,431,837	100%
Financial assets at fair value through P&L	11.3.3.1	-	-	-	2,869,945	-		
Financial assets at fair value through OCI	11.3.3.2	144,493	-	-	-	-		
Total equity risk exposure		144,493	-	-	2,869,945	-		
Total		40,078,469	13,333,743	12,186,327	38,457,970	389,766		
Company								
Government securities	11.1.2	-	-	-	-	-	-	-
Corporate debt securities	11.1.3	-	-	-	-	-	-	-
Deposits with banks	11.1.4	125,472	-	-	27,372,003	-	27,497,475	96%
Loans to executives	11.1.5	70,457	-	19,721	-	-	90,178	0%
Trade and other receivables	11.1.9	-	-	105,730	-	-	105,730	0%
Amounts due from related parties	11.1.12	-	-	-	-	681,617	681,617	3%
Cash in hand and at bank	11.1.13	-	176,662	-	-	-	176,662	1%
Total credit risk exposure		195,929	176,662	125,451	27,372,003	681,617	28,551,662	100%
Financial assets at fair value through OCI	11.3.3.2	89,049	-	-	-	-		
Total equity risk exposure		89,049	-	-	-	-		
Total		284,978	176,662	125,451	27,372,003	681,617		

2019						
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
25,938,402	-	-	4,214,528	-	30,152,930	27%
5,681,130	-	-	825,243	-	6,506,373	6%
456,468	-	-	44,921,025	-	45,377,493	40%
1,024,353	-	258,326	-	-	1,282,679	1%
1,300,907	-	-	-	-	1,300,907	1%
288,525	-	-	-	-	288,525	0%
391,308	-	-	-	-	391,308	0%
-	-	13,412,588	-	-	13,412,588	12%
-	-	455,210	-	-	455,210	0%
-	-	294,821	-	-	294,821	0%
-	-	-	-	225,634	225,634	0%
-	12,955,209	-	-	-	12,955,209	13%
35,081,093	12,955,209	14,420,945	49,960,796	225,634	112,643,677	100%
-	-	-	2,795,829	-		
105,212	-	-	-	-		
105,212	-	-	2,795,829	-		
35,186,305	12,955,209	14,420,945	52,756,625	225,634		
-	-	-	-	-	-	-
-	-	-	-	-	-	-
116,123	-	-	41,594,883	-	41,711,006	92%
103,622	-	25,174	-	-	128,796	0%
-	-	80,946	-	-	80,946	0%
-	-	-	-	181,226	181,226	0%
-	3,570,428	-	-	-	3,570,428	8%
219,745	3,570,428	106,120	41,594,883	181,226	45,672,402	100%
61,524	-	-	-	-		
61,524	-	-	-	-		
281,269	3,570,428	106,120	41,594,883	181,226		

11. Financial risk management objectives and policies (Contd.)

11.1.2 Government securities

As at 31 March 2020 as shown in table above, 30% (2019 - 27%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

11.1.3 Corporate debt securities

As at 31 March 2020 corporate debt securities comprise 8% (2019-6%) of the total investments in debt securities, out of which 53% (2019 – 66%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

	GROUP			
As at 31 March	2020		2019	
Fitch ratings	In LKR '000s	%	In LKR '000s	%
AAA	158,992	2%	-	-
AA+	211,487	2%	211,420	3%
AA	740,194	9%	283,746	5%
AA-	854,838	10%	1,002,828	15%
A+	1,133,742	13%	917,417	14%
A	1,503,496	17%	1,895,025	29%
A-	1,562,950	18%	1,331,899	21%
BBB+	2,426,098	29%	864,038	13%
Total	8,591,797	100%	6,506,373	100%

11.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2020, fixed and call deposits comprise 67% (2019 - 96%) and 74% (2019 - 100%) for the Group and Company respectively were rated "A" or better.

	GROUP				COMPANY			
As at 31 March	2020		2019		2020		2019	
Fitch ratings	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%	In LKR '000s	%
AAA	104,302	0%	402,739	1%	-	-	-	-
AA+	15,317,074	46%	21,782,391	48%	14,827,036	54%	20,449,442	49%
AA	203,598	1%	157,927	0%	58,934	0%	54,543	0%
AA-	312,661	1%	15,478,890	34%	66,538	0%	14,037,445	34%
A+	4,932,394	15%	5,515,912	13%	4,664,418	17%	5,515,911	13%
A	1,440,291	4%	385,969	0%	950,142	3%	-	-
A-	422,706	1%	1,653,665	4%	422,706	2%	1,653,665	4%
B	10,849,973	32%	-	-	6,507,701	24%	-	-
Total	33,582,999	100%	45,377,493	100%	27,497,475	100%	41,711,006	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 LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Neither past due nor impaired	4,555,606	5,771,789	48,574	70,403
Past due but not impaired				
0-30 days	3,165,628	5,700,688	40,889	1,255
31–60 days	1,938,832	948,464	4,684	3,334
61–90 days	651,984	240,657	864	644
> 91 days	747,916	750,990	10,719	5,310
Allowance for expected credit losses	1,135,977	579,858	10,198	4,682
Gross carrying value	12,195,943	13,992,446	115,928	85,628
Allowance for expected credit losses	(1,135,977)	(579,858)	(10,198)	(4,682)
Total	11,059,966	13,412,588	105,730	80,946

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 simplified Expected Credit Loss model is based on the provision metrics which allowed to use under the practical expedient of SLFRS 9. As part of the Group wide spend control and cash management efforts set up (Cash war rooms) to manage the COVID-19 impact on working capital and collections, 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 which the COVID-19 outbreak affects different types of customers. The Group assessed how the timing and amount of cash flows generated by outstanding trade receivables might be affected and increased loss rates where necessary.

11.1.10 Reinsurance receivables

The Union Assurance PLC operates a policy to manage its reinsurance counterparty exposures by limiting the reinsurers that may be used and applying strict limits each reinsurer.

11.1.11 Premium receivable

Only designated institutions are employed as intermediary parties by Union Assurance PLC. Agreements have been signed within the intermediaries committing them to settle dues within a specified time period.

11.1.12 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances. The Company balance consists of the balances from affiliate companies.

11.1.13 Credit risk relating to cash in hand and Bank Balance

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

11.2 Liquidity risk

The Group's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Group has available funds to meet its short and medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Group holds cash and undrawn committed facilities to enable the Group to manage its liquidity risk.

The Group monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Group's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including debentures, bank loans, loan notes, overdrafts and finance leases over a broad spread of maturities.

11. Financial risk management objectives and policies (Contd.)

11.2.1 Net debt/(cash)

As at 31 March In LKR '000s	Group 2020	Group 2019	Company 2020	Company 2019
Short term investments	38,457,970	52,756,625	27,372,003	41,594,883
Cash in hand and at bank	13,333,743	12,955,209	176,662	3,570,428
Adjustments to liquid assets	(6,251,879)	(15,583,658)	-	-
Total liquid assets	45,539,834	50,128,176	27,548,665	45,165,311
Interest-bearing loans and borrowings (Non-current)*	70,835,470	21,276,504	289,705	559,382
Short term borrowings	5,803,771	9,970,906	-	4,000,010
Interest-bearing loans and borrowings (Current)*	6,588,682	3,204,613	316,042	293,500
Bank overdrafts	17,679,471	20,060,719	1,417,148	7,220,109
Total liabilities	100,907,394	54,512,742	2,022,895	12,073,001
Net debt / (cash)	55,367,560	4,384,566	(25,525,770)	(33,092,310)

* Given the adoption of SLFRS 16 in 2019/20, the non-current and current portion of interest-bearing loans and borrowings also include lease liabilities amounting to Rs. 19.9 billion and Rs. 1.45 billion, respectively (Refer Note 23 for details.)

11.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement or other secured borrowing.

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 considered that cash flow scrutiny is paramount and has adopted a disciplined approach across the Group including setting up of Group-wide spend control and cash management steering committees (Cash war rooms) for preserving and increasing liquidity, particularly on account of the impact of COVID-19.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2020 based on contractual undiscounted (principal plus interest) payments.

Group

In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	9,720,905	12,181,923	44,183,327	1,600,058	376,823	338,234	68,401,270
Lease liability	2,565,337	2,578,140	2,602,566	2,165,463	3,232,001	17,102,235	30,245,742
Interest rate SWAP	204,881	273,958	65,808	-	-	-	544,647
Trade and other payables	23,881,479	-	-	-	-	-	23,881,479
Amounts due to related parties	2,073	-	-	-	-	-	2,073
Short term borrowings	5,803,771	-	-	-	-	-	5,803,771
Bank overdrafts	17,679,471	-	-	-	-	-	17,679,471
	59,857,917	15,034,021	46,851,701	3,765,521	3,608,824	17,440,469	146,558,453

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2019 based on contractual undiscounted (principal plus interest) payments.

In LKR '000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	3,322,211	4,844,343	2,819,896	15,789,811	868,732	-	27,644,993
Trade and other payables	19,744,821	-	-	-	-	-	19,744,821
Amounts due to related parties	92,532	-	-	-	-	-	92,532
Short term borrowings	10,002,601	-	-	-	-	-	10,002,601
Bank overdrafts	20,060,719	-	-	-	-	-	20,060,719
	53,222,884	4,844,343	2,819,896	15,789,811	868,732	-	77,545,666

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities on contractual undiscounted (principal plus interest) payments.

	2020			2019			
In LKR '000s	Within 1 year	Between 1-2 years	Total	Within 1 year	Between 1-2 years	Between 2-3 years	Total
Interest-bearing loans and borrowings	329,785	294,027	623,812	326,335	299,142	285,830	911,307
Trade and other payables	423,393	-	423,393	346,926	-	-	346,926
Amounts due to related parties	777	-	777	12,537	-	-	12,537
Short term borrowings	-	-	-	4,031,695	-	-	4,031,695
Bank overdrafts	1,417,148	-	1,417,148	7,220,109	-	-	7,220,109
	2,171,103	294,027	2,465,130	11,937,602	299,142	285,830	12,522,574

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 2020 and 2019.

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 2020 and 2019.

11.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's long-term debt obligations with floating interest rates.

Most lenders grant loans under floating interest rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The global outbreak of the novel COVID-19 epidemic has resulted in consecutive reductions in policy rates and monetary easing policies by Central Bank of Sri Lanka to encourage banks and finance companies to reduce lending rates.

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).

11. Financial risk management objectives and policies (Contd.)

For the year ended 31 March	Increase/ (decrease) in basis points		GROUP	COMPANY
			Effect on profit before tax LKR '000s	
	Rupee borrowings	Other currency borrowings		
2020	+308	+176	(1,052,247)	(1,066)
	-308	-176	1,052,247	1,066
2019	+71	+22	(191,196)	(30,408)
	-71	-22	191,196	30,408

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

11.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange movements. Group treasury analyses the market condition of foreign exchange and provides market updates to the Group Executive Committee (GEC), with the use of external consultants' advice. Based on the suggestions made by Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by Board of Directors.

11.3.2.1 Effects of currency transaction on forward contract

The table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. Currently these financial instruments are categerised under trade and other receivables.

For the year ended 31 March	GROUP	
	Increase/(decrease) in exchange rate USD	Effect on profit before tax LKR '000s
2020	+3%	(1,422)
	-3%	1,422
2019	+15%	(97,248)
	-15%	97,248

The assumed spread of the exchange rate is based on the current observable market environment.

11.3.2.2 Effects of currency translation

For purposes of the Group consolidated financial statements, the income and expenses and the assets and liabilities of subsidiaries located outside Sri Lanka are converted into Sri Lankan Rupees (LKR). Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest and Taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

For the year ended 31 March	Increase/(decrease) in exchange rate USD	GROUP Effect on profit before tax LKR '000s	GROUP Effect on equity LKR '000s	COMPANY Effect on profit before tax LKR '000s
2020	+3%	1,367,126	2,663,311	609,329
	-3%	(1,367,126)	(2,663,311)	(609,329)
2019	+15%	396,230	9,531,171	3,359,434
	-15%	(396,230)	(9,531,171)	(3,359,434)

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

The Sri Lankan Rupee witnessed a sharp depreciation against the US Dollar in March 2020 on the back of economic turmoil in global, regional and local markets resulting from the COVID-19 pandemic. The Group companies exposed to foreign currency-denominated payments with local currency revenues are adversely impacted to undue fluctuations in exchange rates.

11.3.3 Equity price risk

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

11.3.3.1 Financial assets at fair value through Profit and loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Board of Directors reviews and approves all equity investment decisions.

The extent of information about the impact of COVID-19 that was available as at the reporting date shows factors which are indicative of an inactive market such as a significant drop in trade volumes, significant decline or absence of a market for new issuances, decrease in correlations between asset/liability values and related share price indexes and subsequent closure of the exchange for trading. Accordingly Management has determined the best indicative value the share prices as of 31 December 2019.

As at 31 March	GROUP 2020 LKR '000s	2020 %	2019 LKR '000s	2019 %
Banks finance and insurance	1,793,950	63%	1,759,255	64%
Beverage food and tobacco	414,504	14%	121,116	5%
Construction and engineering	-	-	38,555	1%
Diversified holdings	242,702	8%	400,785	14%
Manufacturing	385,615	13%	402,602	14%
Motors	-	-	6,722	0%
Other services	-	-	11,623	0%
Telecommunications	33,174	2%	55,171	2%
	2,869,945	100%	2,795,829	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 & Company's profit before tax and equity due to changes in the fair value of the listed equity securities.

11. Financial risk management objectives and policies (Contd.)

11.3.3.3 Sensitivity analysis (Contd.)

For the year ended 31 March	Change in year-end market price index	GROUP Effect on profit before tax LKR '000s	Effect on equity LKR '000s
2020	+13%	373,093	-
	-13%	(373,093)	-
2019	+7%	195,708	-
	-7%	(195,708)	-

11.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

	GROUP		COMPANY	
As at 31 March	2020	2019	2020	2019
Debt / Equity	41.4%	23.6%	1.6%	10.0%

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 LKR '000s		**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
FINANCIAL ASSETS									
Non-Listed Equity Investments		-	-	280	273	144,088	104,705	144,368	104,978
Listed Equity Investments		104,839	2,796,063	2,870,071	88,407	-	-	2,974,910	2,884,470
Quoted Debt Instruments		8,184,761	8,634,965	176,639	108,830	-	-	8,361,400	8,743,795
Unquoted Debt Instruments		-	-	10,549	5,344	-	-	10,549	5,344
Interest Rate SWAPs		-	-	-	391,308	-	-	-	391,308
Total		8,289,600	11,431,028	3,057,539	594,162	144,088	104,705	11,491,227	12,129,895
NON FINANCIAL ASSETS	**Note**								
Assets measured at fair value									
Land and buildings	22.1	-	-	-	-	60,349,598	58,273,324	60,349,598	58,273,324
Buildings on leasehold land	22.1	-	-	-	-	26,834,918	17,675,171	26,834,918	17,675,171
Investment property	24	-	-	-	-	15,007,996	13,985,379	15,007,996	13,985,379
Total		-	-	-	-	102,192,512	89,933,874	102,192,512	89,933,874

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.

Due to the COVID-19 outbreak and the closure of the exchange, Management has assessed and determined the fair value of equity portfolio as of 31 March 2020, based on the closing traded prices that existed as of 31 December 2019.

All the listed equity instruments amounting to LKR 2,870 Mn were transferred from level 1 to level 2 as at 31 March 2020 as it shows factors which are indicative of an inactive market due to COVID-19 pandemic. There was a significant decline in the world equity market and the share prices did not reflect the accurate fair value of the instrument. Hence management decided to recognize all its listed equity instruments in level 2.

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 2020.

Financial assets at fair value through Profit and loss

The extent of information about the impact of COVID-19 that was available as at the reporting date shows factors which are indicative of an inactive market such as a significant drop in trade volumes, significant decline or absence of a market for new issuances, dramatic decrease in correlations between asset / liability values and related indexes and subsequent closure of the exchange for trading.

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 3	
As at 31 March In LKR '000s	2020	2019
Non-listed equity investments	89,049	61,524

12.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares are classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In LKR '000s	Group	Company
	Fair Value through other comprehensive income	
As at 1 April 2019	104,705	61,524
Purchase of equity shares	17,355	12,501
Transfer from Level 1 to level 3	-	-
Remeasurement recognised in OCI	22,028	15,024
As at 31 March 2020	144,088	89,049

Fair valuation done as at 31 March 2020 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 equity instruments designated 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.

Financial assets - derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
From 31 March 2020, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income statement.

13. Financial instruments and related policies (Contd.)

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

13.1 Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

As at 31 March In LKR '000s	Financial assets at amortised cost 2020	Financial assets at amortised cost 2019	Financial assets at fair value through OCI 2020	Financial assets at fair value through OCI 2019
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets/liabilities	32,833,447	27,116,064	7,105,176	7,590,526
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / payables	12,186,327	14,420,945	-	-
Amounts due from / due to related parties	389,766	225,634	-	-
Short term investments / Short term borrowings	34,211,765	48,542,096	1,063,001	4,214,529
Cash in hand and at bank	13,333,743	12,955,209	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	92,955,048	103,259,948	8,168,177	11,805,055

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

As at 31 March In LKR '000s	Financial assets at amortised cost 2020	Financial assets at amortised cost 2019	Financial assets at fair value through OCI 2020	Financial assets at fair value through OCI 2019
Financial instruments in non-current assets/non-current liabilities				
Non-current financial assets	195,929	219,745	89,049	61,524
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables / payables	125,451	106,120	-	-
Amounts due from / due to related parties	681,617	181,226	-	-
Short term investments / Short term borrowings	27,372,003	41,594,883	-	-
Cash in hand and at bank	176,662	3,570,428	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	28,551,662	45,672,402	89,049	61,524

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		Derivative financial instruments		Total		Financial liabilities measured at amortised cost/fair value	
2020	2019	2020	2019	2020	2019	2020	2019
139,846	88,407	-	391,308	40,078,469	35,186,305	3,619,863	-
-	-	-	-	-	-	70,835,470	21,276,504
-	-	-	-	12,186,327	14,420,945	23,881,479	19,744,821
-	-	-	-	389,766	225,634	2,073	92,532
3,183,204	3,028,524	-	-	38,457,970	52,756,625	5,803,771	9,970,906
-	-	-	-	13,333,743	12,955,209	-	-
-	-	-	-	-	-	6,588,682	3,204,613
-	-	-	-	-	-	17,679,471	20,060,719
3,323,050	3,116,931	-	391,308	104,446,275	115,544,718	128,410,809	74,350,095

Total		Financial liabilities measured at amortised	
2020	2019	2020	2019
284,978	281,269	-	-
-	-	289,705	559,382
125,451	106,120	423,393	346,926
681,617	181,226	777	12,537
27,372,003	41,594,883	-	4,000,010
176,662	3,570,428	-	-
-	-	316,042	293,500
-	-	1,417,148	7,220,109
28,640,711	45,733,926	2,447,065	12,432,464

13. Financial instruments and related policies (Contd.)

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

The management assessed that, cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

13.3 Derivative financial instruments

	GROUP			
	Contract notional amount In USD '000s		Fair value In LKR '000s	
As at 31 March	**2020**	**2019**	**2020**	**2019**
Cash-flow hedges				
Interest rate swaps	129,500	75,000	(544,645)	391,308

Accounting judgements, estimates and assumptions

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible. Where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

NOTES TO THE INCOME STATEMENT, STATEMENT OF COMPREHENSIVE INCOME AND STATEMENT OF FINANCIAL POSITION

14. Revenue

Accounting policy

14.1 Total revenue

14.1.1 Revenue from contract with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Goods transferred at a point in time

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

Services transferred over time

Under SLFRS 15, the Group determines, at contract inception, whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied over time, the Group recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation.

14.1.2 Revenue from insurance contracts

Revenue from insurance contracts comprise of gross written premiums net of premium ceded to reinsurers.

14.2 Disaggregation of revenue

The Group presented disaggregated revenue with Group's reportable segments based on timing of revenue recognition and geographical region in the operating segment information section.

For the year ended 31 March In LKR '000s	Note	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Timing of revenue recognition					
Goods transferred at a point in time		107,459,688	96,923,799	-	-
Services transferred over time		21,461,944	27,895,123	1,462,190	1,721,687
Total revenue from contracts with customers	14.1.1	128,921,632	124,818,922	1,462,190	1,721,687
Revenue from insurance contracts	14.1.2	11,120,928	10,637,226	-	-
Total revenue		140,042,560	135,456,148	1,462,190	1,721,687

14.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue information that is disclosed 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 liabilities of the Group have been disclosed in other non current liabilities, trade and other payables and other current liabilities in Note 40, 41 and 43 respectively.

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.

14. Revenue (Contd.)

14.2 Disaggregation of revenue (Contd.)

Retail

The Retail segment focuses on modern organised retailing through a chain of supermarkets. The office automation business comprises of distribution of printers, copiers, smart phones and other office automation equipment.

Revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, which is generally upon delivery of the goods. The output method will provide a faithful depiction in recognising revenue.

Customers who purchase from outlets may enter the entity's customer loyalty programme and earn points that are redeemable against future purchases of the entity's products. The entity will allocate a portion of the transaction price to the loyalty programme based on relative standalone selling price.

Leisure

Leisure segment comprises of city hotels, resort hotels, as well as destination management business.

The revenue for providing the services are usually recognised at or after the guests' departure, over the period of stay or at the point of arrival of guests. The entity identifies the services under each contract as one performance obligation. The revenue is accounted based on the output method. Since revenue will be based on the final good or service provided, the output method will provide a faithful depiction in recognising revenue.

In providing destination management services, the entity acts as the principal. Customer receives and consumes the benefits of the entity's performance, as and when the service is performed. Therefore, revenue is recognised at gross over the period, based on the output method. The timing and the amount of cashflow will vary according to the agreements.

Transaction price shall comprise of supplier fee and company mark-up, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

Property

Property segment concentrates primarily on property development, renting of office, retail space and management of the Group's real estate.

At inception of the contract, the entity determines whether it satisfies the performance obligation over time or at a point in time. Timing and amount of cashflow will be determined according to the agreement.

Financial Services

Financial Services provides a complete range of financial solutions including commercial banking, insurance, stock broking, debt trading, fund management and leasing. The services under one contract can be identified as one performance obligation.

Entity determines at contract inception whether it satisfies the performance obligation over time or at a point in time. For each performance obligation satisfied overtime, the entity recognises the revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The output method will provide a faithful depiction in recognising revenue.

Others

Others represents companies in the Plantation Industry, Information Technology, Management and Investments companies. The main streams of revenue; Management fees, BPO service fees and Consultancy fees, are recognised over a period of time, depending on service level agreements.

Some contracts include multiple deliverables. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Remaining performance obligations

The Group applies the practical expedient and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ended 31 March 2020.

15. Dividend income

Accounting policy

Dividend

Dividend income is recognised when right to receive the payment is established.

For the year ended 31 March In LKR '000s	COMPANY 2020	 2019
Dividend income from investments in subsidiaries and equity accounted investees	6,367,610	7,187,071

16. Other operating income and other operating expenses

Accounting policy

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Any losses arising from guaranteed rentals are accounted for, in the year of incurring the same. A provision is recognised if the projection indicates a loss.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

16.1 Other operating income

	Group		Company	
For the year ended 31 March In LKR '000s	2020	2019	2020	2019
Promotional income and commission fee	1,610,234	1,389,652	-	-
Exchange gains	25,178	-	-	-
Profit on sale of property, plant and equipment	-	-	1,646	-
Profit on sale of non current investments	-	-	2,008	234,845
Write back of dealer deposits	10,850	9,278	-	-
Sundry income	595,489	526,768	42,083	31,989
	2,241,751	1,925,698	45,737	266,834

16.2 Other operating expenses

	Group		Company	
For the year ended 31 March In LKR '000s	2020	2019	2020	2019
Nation building tax	916,107	1,323,895	20,324	34,820
Loss on sale of property, plant and equipment and intangible assets	97,007	58,546	-	9,999
Impairment losses on non financial assets	1,108	174,700	-	46,600
Heat, light and power	648,780	789,600	-	-
Exchange losses	-	270,387	-	-
Other overheads	1,209,906	1,088,368	5,615	6,935
	2,872,908	3,705,496	25,939	98,354

17. Net finance income

Accounting policy

Finance income

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

	Group		Company	
For the year ended 31 March **In LKR '000s**	**2020**	**2019**	**2020**	**2019**
Net finance income				
Finance income				
Interest income	7,044,673	9,781,964	1,833,401	4,227,570
Dividend income on				
Financial assets at fair value through profit or loss	181,795	133,973	-	-
Financial assets at fair value through OCI	29,731	21,790	27,962	17,969
Investment related direct expenses	(71,124)	(66,338)	-	-
Gain on disposal of				
Financial assets at fair value through profit or loss	211,281	46,851	-	-
Financial assets at fair value through OCI	7	6,745	-	-
Exchange gains	1,960,979	2,126,616	1,960,979	2,105,831
Total finance income	9,357,342	12,051,601	3,822,342	6,351,370
Finance cost				
Interest expense on borrowings	(3,104,511)	(1,550,188)	(237,046)	(184,544)
Fair value loss on financial assets at fair value through profit or loss	(61,008)	(1,172,101)	-	-
Total finance cost	(3,165,519)	(2,722,289)	(237,046)	(184,544)
Net finance income	6,191,823	9,329,312	3,585,296	6,166,826

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 LKR '000s	Group		Company	
	2020	2019	2020	2019
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	357,858	423,898	118,766	152,599
Remuneration to non executive directors	47,623	46,380	17,940	17,280
Costs of defined employee benefits				
Defined benefit plan cost	430,500	381,970	23,173	34,458
Defined contribution plan cost - EPF and ETF	1,080,749	965,095	57,061	82,117
Other long term employee benefits cost	175,236	95,629	42,753	21,379
Staff expenses	13,397,240	13,384,639	553,433	629,606
Share based payments	328,425	475,629	87,085	144,665
Auditors' remuneration				
Audit	52,225	45,265	6,966	6,332
Non-audit	16,360	24,767	2,756	8,164
Depreciation of property, plant and equipment	4,185,820	3,657,780	33,532	36,870
Amortisation of intangible assets	502,844	415,951	24,687	12,962
Amortisation of ROU* / LRPA*	2,265,955	478,292	-	-
Impairment losses	1,108	174,700	-	46,600
(Profit) / loss on sale of property, plant and equipment and intangible assets	97,007	58,546	(1,646)	9,999
Donations	4,872	4,949	3,505	505

* ROU - Right of use of assets / LRPA - Lease rentals paid in advance

19. Earnings per share

Accounting policy

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for outstanding share options) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

19.1 Basic earnings per share

For the year ended 31 March In LKR '000s	Note	GROUP 2020	 2019
Profit attributable to equity holders of the parent		9,413,788	15,254,126
Weighted average number of ordinary shares	19.3	1,318,217	1,370,193
Basic earnings per share		7.14	11.13

19.2 Diluted earnings per share

Profit attributable to equity holders of the parent		9,413,788	15,254,126
Adjusted weighted average number of ordinary shares	19.3	1,318,891	1,370,348
Diluted earnings per share		7.14	11.13

19.3 Amount used as denominator

For the year ended 31 March In LKR '000s	GROUP 2020	 2019
Ordinary shares at the beginning of the year	1,318,173	1,387,529
Re-purchase of ordinary shares	-	(17,339)
Effect of share options exercised	44	3
Weighted average number of ordinary shares in issue before dilution	1,318,217	1,370,193
Effects of dilution from:		
Share option scheme	674	155
Adjusted weighted average number of ordinary shares	1,318,891	1,370,348

20. Dividend per share

For the year ended 31 March	COMPANY 2020		 2019	
	LKR	In LKR '000s	LKR	In LKR '000s
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	1.00	1,318,173	2.00	2,775,057
Interim dividends	2.50	3,295,960	4.00	5,411,393
Total dividend	3.50	4,614,133	6.00	8,186,450

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.

The Group recognizes a deferred tax asset on unused tax losses which is expected to reduce the future tax expense. The Group's risk management strategy involved implementation of the business continuity plans at the respective companies as a response to COVID-19 pandemic.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

21. Taxes (Contd.)

21.1 Tax expense

For the year ended 31 March In LKR '000s		GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Income statement					
Current tax charge	21.5	1,821,725	2,456,600	614,311	1,139,058
(Over)/Under provision of current tax of previous years		(5,110)	(49,920)	-	-
Irrecoverable economic service charge	21.7	4,682	8,842	-	-
Irrecoverable remittence tax		56,300	-	-	-
Withholding tax on inter company dividends		122,582	801,201	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	662,084	(838,609)	-	-
	21.6	2,662,263	2,378,114	614,311	1,139,058
Other comprehensive income					
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	313,423	405,806	-	-
		313,423	405,806	-	-

21.2 Deferred tax expense

For the year ended 31 March In LKR '000s	GROUP 2020	GROUP 2019
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation for tax purposes	(16,861)	216,654
Revaluation of investment property to fair value	116,562	31,757
Retirement benefit obligations	(35,277)	(6,691)
Benefit arising from tax losses	575,652	(1,125,255)
Others	22,008	44,926
Deferred tax charged / (credited) directly to Income Statement	662,084	(838,609)
Other comprehensive income		
Deferred tax expense arising from;		
Actuarial losses on defined benefit obligations	16,623	3,027
Revaluation of land and building to fair value	277,980	366,820
Net gain/loss on financial assets at fair value through OCI	18,820	35,959
Deferred tax charged/(credited) directly to OCI	313,423	405,806

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to LKR. 3,100 Mn (2019 - LKR. 3,161 Mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

The Ministry of Finance has instructed on January 31, 2020 and March 05, 2020, that the revised income tax rates proposed to the Inland Revenue Act, No. 24 of 2017 (IRA) by Circular No. PN/IT/2020-03 (Revised), be implemented with effect from January 01, 2020, pending formal amendments being made to the IRA.

The Group's management having applied significant judgment to the said proposed revision of income tax rates, have determined that it is probable that formal amendments to the IRA will be made. The management concluded that Circular No. PN/IT/2020-03 (Revised) is more likely to be enacted in the near future and therefore, income tax rates and proposed basis of quantifying current income tax stipulated in the said Circular to be effective from 01/01/2020 have been used to calculate the last quarter income tax provision of the 2019/20 financial year of the Group. Accordingly, the Group has decided to apply the revised income tax rates with effective from 1 January 2020.

The Group has computed deferred tax at the rates based on Substantively enacted rate, which is the statutory rate specified in the IRA, as of the reporting date, because the Inland Revenue Department Circular No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date.

21.3 Income tax liabilities

	GROUP		COMPANY	
As at 31 March **In LKR '000s**	**2020**	**2019**	**2020**	**2019**
At the beginning of the year	1,504,819	2,078,807	225,587	671,634
Charge for the year	1,821,725	2,415,522	614,311	1,139,058
Payments and set off against refunds	(1,578,947)	(2,989,510)	(450,388)	(1,585,105)
At the end of the year	1,747,597	1,504,819	389,510	225,587

21.4 Deferred tax

	GROUP			
	ASSETS		LIABILITIES	
As at 31 March **In LKR '000s**	**2020**	**2019**	**2020**	**2019**
At the beginning of the year	1,252,978	171,503	7,756,673	7,089,179
Charge and release	(368,492)	1,069,146	607,015	653,400
Transfers / exchange translation adjustments	17,896	12,329	(68,733)	14,094
At the end of the year	902,382	1,252,978	8,294,955	7,756,673
The closing deferred tax asset and liability balances relate to the following;				
Revaluation of land and building to fair value	(24,646)	(23,123)	4,927,392	4,690,015
Revaluation of investment property to fair value	(2,587)	(1,233)	338,989	251,723
Accelerated depreciation for tax purposes	295,829	189,362	2,935,088	2,885,524
Employee benefit liability	39,104	44,606	(276,732)	(287,853)
Losses available for offset against future taxable income	679,832	1,112,573	(125,756)	(243,276)
Net gain/loss on fair value through OCI	(54,779)	(35,959)	-	-
Others	(30,371)	(33,248)	495,974	460,540
	902,382	1,252,978	8,294,955	7,756,673

The Group has tax losses amounting to LKR. 6,644 Mn (2019 - LKR. 8,824 Mn) that are available to offset against future taxable profits of the companies in which the tax losses arose.

A deferred tax liability for the Group amounting to LKR. 490 Mn (2019 – LKR. 460 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 liabilities amounting to LKR. 2,055 Mn (2019 – LKR. 1,592 Mn). These have been arrived at after discussing with independent legal and tax experts and based on information available. All assumptions are revisited as of the reporting date.

21. Taxes (Contd.)

21.5 Reconciliation between current tax charge and the accounting profit

For the year ended 31 March In LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Profit before tax	12,403,058	18,615,510	9,253,851	13,141,274
Dividend income from Group companies	7,907,867	8,830,125	-	-
Share of results of equity accounted investees (net of tax)	(4,466,457)	(4,727,345)	-	-
Other consolidation adjustments	426,233	521,175	-	-
Profit after adjustment	16,270,701	23,239,465	9,253,851	13,141,274
Exempt profits	(492,229)	(171,029)	-	-
Income not liable for income tax	(996,950)	(636,011)	(376,105)	(255,344)
Resident dividend	(3,652,657)	(8,523,301)	(3,187,351)	(7,205,040)
Adjusted accounting profit chargeable to income taxes	11,128,865	13,909,124	5,690,395	5,680,890
Disallowable expenses	9,363,417	10,977,226	575,613	713,712
Allowable expenses	(8,717,930)	(8,429,866)	(2,446,085)	(2,323,426)
Utilisation of tax losses	(2,822,950)	(2,476,212)	-	-
Current year tax losses not utilised	727,609	220,558	-	-
Qualifying payment deductions	(4,837)	(1,497)	-	(3,111)
Taxable income	9,674,174	14,199,333	3,819,923	4,068,065
Income tax charged at:				
Standard rate of	923,000	1,968,902	165,160	1,139,058
Other concessionary rates	898,725	487,698	449,151	-
Current tax charge	1,821,725	2,456,600	614,311	1,139,058

21.6 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March In LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Adjusted accounting profit chargeable to income taxes	11,128,865	13,909,124	5,690,395	5,680,890
Tax effect on chargeable profits	2,113,247	2,866,054	584,716	1,590,649
Tax effect on non deductible expenses	523,579	517,569	56,678	160,488
Tax effect on deductions claimed	(322,357)	(743,747)	(1,014)	(615,603)
Net tax effect of unrecognised deferred tax assets for the year	22,397	33,174	(26,069)	3,524
Net tax effect of unrecognised deferred tax assets for prior years	162,255	(39,992)	-	-
Under/(over) provision for previous years	(5,110)	(49,920)	-	-
Deferred tax due to carried forward tax losses	(43,891)	(1,043,722)	-	-
Deferred tax due to rate differentials	(1,421)	(1,345)	-	-
Other income based taxes:				
Irrecoverable economic service charge	4,682	8,842	-	-
Irrecoverable unrecoverable remittances	56,300	-	-	-
Withholding tax on inter-company dividends	122,582	801,201	-	-
Deferred tax on withholding tax of affiliated companies dividends	30,000	30,000	-	-
Tax expense	2,662,263	2,378,114	614,311	1,139,058

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

21.7 Economic Service Charge (ESC)

For the year ended 31 March In LKR '000s	GROUP 2020	2019
Irrecoverable Economic Service Charge (ESC)	4,682	8,842
	4,682	8,842

21.8 Tax losses carried forward

For the year ended 31 March In LKR '000s	GROUP 2020	2019	COMPANY 2020	2019
Tax losses brought forward	8,823,877	10,407,718	1,230,471	1,230,471
Adjustments on finalisation of liability	(163,390)	(7,934)	-	-
Tax losses arising during the year	806,316	900,305	-	-
Utilisation of tax losses	(2,822,950)	(2,476,212)	-	-
	6,643,853	8,823,877	1,230,471	1,230,471

21.9 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 24% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act			
John Keells Properties Ja-Ela (Pvt) Ltd.	New undertaking engaged in construction of commercial buildings	Exempt	9 years from 1 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	14% / Exempt	14% up to 31 December 2019
John Keells International (Pvt) Ltd.	Exporting services	- do -	- do -
Infomate (Pvt) Ltd.	IT enabled services	- do -	- do -
Tea Smallholder Factories PLC.	Agricultural Business	14%	Open ended
Lanka Marine Services (Pvt) Ltd.	Qualified export profits	- do -	- do -
Leisure sector	Promotion of tourism	- do -	- do -
Consumer Foods and Retail sector	Manufacturing	18%	Effective from 01 January 2020
Consumer Foods sector	Export of goods	14%	- do -
Ceylon Cold Stores PLC.	Foreign sourced income	Exempt	- do -
John Keells Office Automation (Pvt) Ltd.	Off shore business income	- do -	- do -

21. Taxes (Contd.)
21.9 Applicable rates of income tax (Contd.)

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Board of Investment Law			
Asian Hotels and Properties PLC.	Construction and operation of office, apartment complex and a hotel	2% of turnover	15 years from 1 April 2014
Beruwala Holiday Resorts (Pvt) Ltd.	Construction and operation of a tourist hotel	Exempt	8 years from 1 year of profit or 2 years from operations
Trinco Holiday Resorts (Pvt) Ltd.	For upgrading and refurbishment of a hotel in the Eastern province	- do -	10 years from 1st year of profit or 2 years from operations
Infomate (Pvt) Ltd.	IT enabled services	20%	Concessionary rate of 20% until closure of business
John Keells Logistics (Pvt) Ltd (Sites covered by the BOI agreement)	Warehousing	- do -	- do -
Waterfront Properties (Pvt) Ltd.	Integrated super luxury tourist resort	Exempt	10 years from 1st year of profit or 3 years from operations

Capital gains from sale of listed shares are exempted from chargeability to income tax. Income/profits from offshore dividends and interest are exempt from income tax. Effective from 1 January 2020, exemption is available on interest income earned in foreign currency denominated accounts opened with the approval of the Central Bank, gains and profits from services rendered in or outside Sri lanka to be utilised ouside Sri Lanka where the payments is recceived in foreign currency through a bank in Sri lanka and dividend received from another resident company is subject to income tax at a concessionary rate of 14% and an exemption on dividend paid by a resident company to a member to the extent that dividend payment is attributable to, or derived from, another dividend received by that resident.

21.10 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt) Ltd.	30.9%
	Serene Holidays (Pvt) Ltd.	25%
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 – 20
Equipment	2– 15
Furniture and fittings	2– 15
Motor vehicles	4 – 10
Returnable Containers	10
Vessels	10-25

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of property plant and equipment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

The Group has not determined Impairment as at the reporting date due to the COVID-19 pandemic, and each business unit functions under the respective business continuity plans as per the Group risk management strategy, allowing operations to function through alternate working arrangements, whilst strictly adhering to and supporting government directives. In other business units where it is not feasible to operate in full or partial capacity in the immediate to short term under the current environment, the management has taken necessary steps to safeguard the assets.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

22. Property , plant and equipment (Contd.)

22.1 Property , plant and equipment - Group

As at 31 March In LKR '000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
Cost or valuation				
At the beginning of the year	59,322,126	20,771,479	14,163,688	11,947,536
Additions	83,205	3,397,723	1,110,902	1,485,851
Disposals	(435)	(95,530)	(143,442)	(565,563)
Revaluations	2,791,179	64,742	-	-
Transfers (from revaluation adjustment)	(209,755)	(300,862)	-	-
Impairment / derecognition	(322)	-	-	(18,346)
Transfers	(601,001)	6,232,994	125,313	869,580
Exchange translation difference	-	544,927	67,992	120,144
At the end of the year	61,384,997	30,615,473	15,324,453	13,839,202
Accumulated depreciation and impairment				
At the beginning of the year	(1,048,802)	(3,096,308)	(5,415,681)	(6,206,282)
Charge for the year	(282,839)	(842,464)	(983,151)	(1,319,888)
Disposals	-	34,492	126,612	488,324
Transfers (From revaluation adjustment)	209,755	300,862	-	-
Impairment	322	-	-	17,238
Transfers	86,165	-	-	-
Exchange translation difference	-	(177,137)	(48,977)	(69,815)
At the end of the year	(1,035,399)	(3,780,555)	(6,321,197)	(7,090,423)
Carrying value				
As at 31 March 2020	60,349,598	26,834,918	9,003,256	6,748,779
As at 31 March 2019	58,273,324	17,675,171	8,748,007	5,741,254

22.2 Property , plant and equipment - Company

As at 31 March In LKR '000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Capital WIP	Total 2020	Total 2019
Cost						
At the beginning of the year	3,768	243,864	50,162	46,791	344,585	372,276
Additions	-	23,601	-	-	23,601	80,269
Disposals	-	(14,431)	-	-	(14,431)	(107,960)
Transfers	-	46,791	-	(46,791)	-	-
At the end of the year	3,768	299,825	50,162	-	353,755	344,585
Accumulated depreciation and impairment						
At the beginning of the year	(3,667)	(169,269)	(11,107)	-	(184,043)	(244,398)
Charge for the year	(69)	(25,519)	(7,944)	-	(33,532)	(36,870)
Disposals	-	8,173	-	-	8,173	97,225
At the end of the year	(3,736)	(186,615)	(19,051)	-	(209,402)	(184,043)
Carrying value						
As at 31 March 2020	32	113,210	31,111	-	144,353	
As at 31 March 2019	101	74,595	39,055	46,791		160,542

Motor vehicles Freehold	Motor vehicles Leasehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2020	Total 2019
711,516	51,195	929,601	5,396,800	842,588	3,799,288	117,935,817	105,494,024
57,044	-	40,647	734,875	154,411	8,147,251	15,211,909	12,019,852
(27,602)	-	(28,779)	(227,557)	-	(2,124)	(1,091,032)	(1,731,560)
-	-	-	-	-	-	2,855,920	2,250,474
-	-	-	-	-	-	(510,617)	(487,708)
-	-	-	-	-	-	(18,668)	(174,700)
18,946	(51,195)	-	14,356	6,577	(7,264,872)	(649,302)	(42,304)
7,834	-	-	6,735	-	259,981	1,007,613	607,739
767,738	-	941,469	5,925,209	1,003,576	4,939,524	134,741,640	117,935,817
(415,573)	(20,124)	(605,508)	(3,250,668)	(188,383)	-	(20,247,329)	(18,234,151)
(62,555)	-	(63,233)	(523,364)	(108,326)	-	(4,185,820)	(3,657,780)
15,510	-	27,155	211,268	-	-	903,361	1,455,686
-	-	-	-	-	-	510,617	487,708
-	-	-	-	-	-	17,560	-
(6,857)	20,124	-	-	-	-	99,432	37,118
(5,550)	-	-	(4,223)	-	-	(305,702)	(335,910)
(475,025)	-	(641,586)	(3,566,987)	(296,709)	-	(23,207,881)	(20,247,329)
292,713	-	299,883	2,358,222	706,867	4,939,524	111,533,759	
295,943	31,071	324,093	2,146,132	654,205	3,799,288		97,688,488

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 2019.

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.

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuations were obtained by the same independent professional valuers who determined there was no significant change to the revalued carrying amount provided as at 31 December 2019.

The following items were indicated In the reassessment reports to the Group;

The outbreak of COVID 19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

The Group ceased its borrowing cost capitalisation for the qualifying assets under construction as per LKAS 23 immediately post lockdown of the Capital due to the COVID-19 outbreak.

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	OMV / DCC	LKR 17,000,000 - LKR 20,000,000	LKR 3,000 - LKR 12,750	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd.	-do-	DCC	LKR 800,000 - LKR 1,000,000	LKR 3,000 - LKR 10,500	-	Positive
Ceylon Cold Stores PLC.	-do-	DCC	LKR 160,000 - LKR 190,000	LKR 500 - LKR 5,000	-	Positive
Kandy Walk Inn Ltd.	S Fernando	OMV	LKR 725,000 - LKR 1,125,000	LKR 1,000 - LKR 9,000	-	Positive
Keells Food Products PLC.	P B Kalugalagedara	OMV	LKR 35,000 - LKR 500,000	LKR 400 - LKR 3,250	-	Positive
Keells Realtors Ltd.	-do-	OMV	LKR 1,500,000 - LKR 2,250,000	LKR 500 - LKR 1,500	-	Positive
Mackinnons Keells Ltd.	-do-	DCC	LKR 9,000,000	LKR 1,900	-	Positive
Nuwara Eliya Holiday Resort (Pvt) Ltd.	S Fernando	DCC	LKR 500,000 - LKR 650,000	-	-	Positive
Tea Smallholder Factories PLC.	K T D Tissera	DCC	LKR 325,000	LKR 1,000 - LKR 6,600	-	Positive
Trinco Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR 325,000	LKR 1,000 - LKR 6,500	-	Positive
Union Assurance PLC.	-do-	DCC	LKR 7,500,000 - LKR 18,000,000	LKR 500 - LKR 5,750	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	-do-	OMV	LKR 15,500,000	-	-	Positive
Buildings on leasehold land						
Ceylon Holiday Resorts Ltd.	P B Kalugalagedara	OMV	-	LKR 1,800 - LKR 3,500	-	Positive
Keells Food Products PLC.	-do-	DCC	-	LKR 150 - LKR 2,000	-	Positive
Habarana Lodge Ltd.	S Fernando	DCC	-	LKR 675 - LKR 10,000	-	Positive
Habarana Walk Inn Ltd.	-do-	DCC	-	LKR 2,000 - LKR 6,850	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd.	P B Kalugalagedara	DCC	-	LKR 2,500 - LKR 5,400	-	Positive
Jaykay Marketing Service(Pvt) Ltd.	-do-	IM	-	-	6%	Negative
John Keells Warehousing (Pvt) Ltd.	K T D Tissera	DCC	-	LKR 800 - LKR 2,500	-	Positive
Rajawella Holdings Ltd.	P B Kalugalagedara	DCC	-	LKR 2,000 - LKR 10,000	-	Positive
Trans Asia Hotels PLC.	-do-	DCC	-	LKR 400 - LKR 7,600	-	Positive
Yala Village (Pvt) Ltd.	-do-	DCC	-	LKR 2,500 - LKR 7,500	-	Positive

Effective date of valuation was 31 December 2019.

Summary description of valuation methodologies;

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalized value of the property is fixed by direct comparison with capitalized value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current building costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

22.4 The carrying amount of revalued land and buildings if they were carried at cost less depreciation and impairment, would be as follows;

	GROUP	
As at 31 March In LKR '000s	2020	2019
Cost	36,269,513	28,873,988
Accumulated depreciation and impairment	(3,207,912)	(3,086,965)
Carrying value	33,061,601	25,787,023

Group land and buildings with a carrying value of LKR. 3,887 Mn (2019 - LKR. 4,072 Mn) have been pledged as security for term loans obtained, details of which are disclosed in Note 37.2.

Group property, plant and equipment with a cost of LKR. 4,796 Mn (2019 - LKR. 6,322 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to LKR. 611 Mn (2019 – LKR. 587 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2020 was LKR. 1,934 Mn (2019 - LKR. 1,141 Mn).

23. Leases

Accounting Policy

Set out below are the new accounting policies of the Group upon adoption of SLFRS 16, which have been applied from the date of initial application:

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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group does not foresee any impairment of right of use assets due to the COVID-19 pandemic since as each business unit is operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. The Group does not anticipate discontinuation of any right of use assets as at the reporting date and the lease liability is not reassessed as there are no known moratoriums received for the lease payments so far.

23. Leases (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 2020.

23.1.1 Right of use assets

In LKR '000s	Lease hold properties	Motor Vehicles	Total
As at 1 April 2019	13,551,331	77,697	13,629,028
Transfers - (SLFRS 16 Initial Recognition)	14,804,699	24,637	14,829,336
Additions	9,257,197	26,448	9,283,645
Amortisation expense	(2,227,100)	(38,855)	(2,265,955)
Exchange difference	1,694,216	-	1,694,216
As at 31 March 2020	37,080,343	89,927	37,170,270

23.1.2 Lease rentals paid in advance

As at 31 March In LKR '000s	2020	2019
At the beginning of the year	14,412,888	13,004,939
Transfers - (SLFRS 16 Initial Recognition)	(14,412,888)	-
Additions	-	582,176
Amortisation of the year	-	(478,292)
Exchange difference	-	1,304,065
As at 31 March 2020	-	14,412,888

23.1.3 Lease liability

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings - Note 37) and the movements for the year ended 31 March 2020.

	Lease Liabilities
As at 1 April 2019	13,629,028
Transfers - (SLFRS 16 Initial Recognition)	27,443
Additions	7,607,634
Interest expense	1,220,822
Payments	(1,984,238)
Exchange difference	792,097
As at 31 March 2020	21,292,786
Current	1,382,662
Non-current	19,910,124
Total lease liability as at 31 March 2020	21,292,786
Following are the amounts recognised in income statement for the year ended 31 March 2020	
Amortization of right-of-use assets	2,265,955
Interest expense on lease liabilities	1,220,822
Total amount recognised in income statement	3,486,777

Expenses relating to short term leases and leases of low value assets amounting to LKR.1.56 Mn has recognised in income statement.

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 2019.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted for using accounting policy for property, plant and equipment.

	GROUP	
As at 31 March In LKR '000s	**2020**	**2019**
Carrying value		
At the beginning of the year	13,985,379	12,427,058
Additions	1,011	1,233,668
Transfers	523,233	-
Change in fair value during the year	573,373	324,653
Disposals	(75,000)	-
At the end of the year	15,007,996	13,985,379
Freehold property	14,581,020	13,522,700
Leasehold property	426,976	462,679
	15,007,996	13,985,379
Rental income earned	629,168	602,883
Direct operating expenses incurred	211,590	197,299

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.

As a result of the COVID-19 outbreak in Sri Lanka during the last part of the quarter ended 31 March 2020, a reassessment of the valuation was obtained by the same independent professional valuer who determined no significant change to the revalued carrying amount provided as at 31 December 2019.

In the reassessment reports to the Group, the valuers stated following facts as basis for the judgement;

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted both local and global markets.

Consequently, as at the reporting date, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

24. Investment property (Contd.)

Description of valuation techniques used and key inputs to valuation of investment properties:

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
Freehold property						
Ahungalla Holiday Resort (Pvt.) Ltd.	S Fernando	DCC	LKR 235,000 - LKR 385,000	-	-	Positive
Asian Hotels and Properties PLC	P B Kalugalagedara	IM	-	-	6.25%	Negative
Ceylon Cold Stores PLC	P B Kalugalagedara	DCC	LKR 1,500,000	-	-	Positive
Facets (Pvt) Ltd.	S Fernando	DCC	LKR 435,000	-	-	Positive
Glennie Properties (Pvt) Ltd	P B Kalugalagedara	OMV	LKR 15,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd.	G H A P K Fernando	CM	LKR 1,200,000	LKR 5,000 - LKR 6,500	-	Positive
John Keells PLC.	P B Kalugalagedara	OMV	LKR 625,000	-	-	Positive
John Keells Property Development (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR 11,500,000	-	-	Positive
J K Thudella Properties (Pvt) Ltd.	P P T Mohideen	OMV	LKR 270,000	-	-	Positive
Keells Realtors Ltd.	P B Kalugalagedara	OMV	LKR 1,500,000 - LKR 2,250,000	LKR 500 - LKR 1,500	-	Positive
Trinco Walk Inn Ltd.	S Fernando	DCC	LKR 115,000 - LKR 315,000	-	-	Positive
Whittall Boustead (Pvt) Ltd.	P B Kalugalagedara	DCC	LKR 2,000,000	LKR 500 - LKR 1,500	-	Positive
Wirawila Walk Inn Ltd.	S Fernando	DCC	LKR 21,875	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd.	P B Kalugalagedara	OMV	LKR 15,500,000	-	-	Positive
Resort Hotels Ltd.	S Fernando	DCC	LKR 140,000 - LKR 250,000	-	-	Positive
Leasehold property						
Tea Smallholder Factories PLC	P B Kalugalagedara	DCC	LKR 2,500,000	LKR 1,075	-	Positive

* Summary of valuation methodologies can be found in property plant and equipment Note no 22.3.

25. Intangible assets

Accounting policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortisation 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.

Purchased software

Purchased asset, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

Contractual relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and amortised over the contract period.

A summary of the policies applied to the Group's intangible assets is as follows.

Intangible assets	Useful life	Type	Impairment testing
PVIB	12	Acquired	When indicators of impairment exists. The amortisation method is reviewed at each financial year end
Purchased software	5		
Software license	5		
Contractual relationships	5 - 10		
Developed software	5	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. For assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

25. Intangible assets (Contd.)
25.1 Intangible assets

As at 31 March In LKR '000s	Software			
	Developed	Purchased	Licenses	WIP
Cost/carrying value				
At the beginning of the year	558,838	985,416	1,092,718	76,528
Additions	18,461	46,123	305,703	16,376
Transfers	53,243	-	-	(51,243)
Disposal	-	(71,394)	(5,220)	-
At the end of the year	630,542	960,145	1,393,201	41,661
Accumulated amortisation and impairment				
At the beginning of the year	(277,874)	(293,453)	(648,437)	-
Amortisation	(62,457)	(104,647)	(104,125)	-
Transfers	-	-	-	-
Disposal	-	71,394	2,698	-
At the end of the year	(340,331)	(326,706)	(749,864)	-
Carrying value				
As at 31 March 2020	290,211	633,439	643,337	41,661
As at 31 March 2019	280,964	691,963	444,281	76,528

Present value of acquired in-force business (PVIB)
Upon acquiring a controlling stake in Union Assurance PLC (UA), the Group has recognised in the consolidated financial statements an intangible asset representing the present value of future profits on UA's portfolio of long term life insurance contracts, known as the present value of acquired in-force business (PVIB) at the acquisition date. Further, PVIB recognised at the acquisition date will be amortised over the estimated life of the business acquired and reviewed annually for any impairment in value.

25.2 Intangible assets - Goodwill

As at 31 March In LKR '000s	GROUP 2020 Net carrying value
Goodwill acquired through business combinations have been allocated to following cash generating units (CGU's) for impairment testing,	
Airlines Services	5,054
Cinnamon Hotels and Resorts	166,248
Consumer Foods	299,293
Financial Services	265,360
Logistics, Ports and Shipping	2,641
	738,596

The recoverable amounts of all CGUs have been determined based on the fair value, less cost to sell or the value in use (VIU) calculation.

			GROUP		COMPANY	
PVIB	Goodwill	Other			Software Licenses	
			2020 Total	2019 Total	2020 Total	2019 Total
2,249,000	738,596	840,738	6,541,834	4,707,330	592,561	530,371
-	-	-	386,663	1,809,775	33,953	62,190
-	-	-	2,000	42,773	-	-
-	-	-	(76,614)	(18,044)	(484)	-
2,249,000	738,596	840,738	6,853,883	6,541,834	626,030	592,561
(1,874,161)	-	(42,217)	(3,136,142)	(2,697,139)	(498,849)	(485,887)
(187,416)	-	(44,199)	(502,844)	(415,951)	(24,687)	(12,962)
-	-	-	-	(37,587)	-	-
-	-	-	74,092	14,535	48	-
(2,061,577)	-	(86,416)	(3,564,894)	(3,136,142)	(523,488)	(498,849)
187,423	738,596	754,322	3,288,989		102,542	
374,839	738,596	798,521		3,405,692		93,712

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.

The Group has not determined Impairment of goodwill as at the reporting date due to the COVID-19 pandemic. Each business unit currently operating under the business continuity plans as per the Group risk management strategy, to the extent possible, whilst strictly adhering to and supporting government directives. Other business units where it is not feasible to operate in full or partial capacity in the immediate short term under the current environment, the management has taken necessary steps to safeguard the assets.

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.

Investments in subsidiaries are carried at cost less any accumulated impairment losses. The Group has not determined impairment as at the reporting date due to the COVID-19 pandemic.

26.1 Carrying value

As at 31 March In LKR '000s		COMPANY 2020	COMPANY 2019
Quoted	26.2	20,185,912	20,115,878
Unquoted	26.3	67,650,005	57,130,018
		87,835,917	77,245,896

26.2 Group quoted investments

As at 31 March	GROUP Number of shares	GROUP Effective holding %	COMPANY Number of shares	COMPANY Effective holding %	COMPANY 2020 In LKR '000s	COMPANY 2019 In LKR '000s
Cost						
Asian Hotels and Properties PLC.	347,824,190	78.6%	347,824,190	78.6%	5,369,619	5,350,028
Ceylon Cold Stores PLC.	77,321,326	81.4%	67,155,813	70.6%	1,646,015	1,618,486
John Keells Hotels PLC.	1,169,598,478	80.3%	1,169,598,478	80.3%	7,102,140	7,102,140
John Keells PLC.	52,834,784	86.9%	52,834,784	86.9%	482,649	478,227
Keells Food Products PLC.	22,937,250	88.6%	20,364,054	79.9%	1,237,188	1,232,659
Tea Smallholder Factories PLC.	11,286,000	37.6%	11,286,000	37.6%	66,478	65,308
Trans Asia Hotels PLC.	184,107,284	82.7%	97,284,256	48.6%	1,615,761	1,613,714
Union Assurance PLC.	53,035,715	90.0%	53,035,715	90.0%	2,666,062	2,655,316
					20,185,912	20,115,878

As at 31 March In LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Market Value*				
Asian Hotels and Properties PLC.	14,086,880	14,573,834	14,086,880	14,573,834
Ceylon Cold Stores PLC.	61,470,454	44,459,762	53,388,871	38,614,592
John Keells Hotels PLC.	13,567,342	8,771,989	13,567,342	8,771,989
John Keells PLC.	2,588,904	2,536,070	2,588,904	2,536,070
Keells Food Products PLC.	2,809,813	2,862,569	2,494,597	2,541,434
Tea Smallholder Factories PLC.	310,365	271,993	310,365	271,993
Trans Asia Hotels PLC.	12,832,278	14,065,796	6,780,713	7,432,517
Union Assurance PLC.	17,501,786	15,889,500	17,501,786	15,889,500
	125,167,822	103,431,513	110,719,458	90,631,929

* The indicative market values of the 2020 are based on 31 December 2019 active market prices, since as at 31 March 2020 shows factors which are indicative of an inactive market due to COVID-19 pandemic.

26.3 Group unquoted investments

	GROUP		COMPANY			
As at 31 March	2020		2020			2019
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Ahungalla Holiday Resort (Pvt) Ltd.	13,275,000	80.32	-	-		-
Beruwala Holiday Resorts (Pvt) Ltd.	219,725,653	79.78	-	-	3,619	3,526
British Overseas (Pvt) Ltd.	61	61.00	61	61.00	-	-
Ceylon Holiday Resorts Ltd.	18,260,784	79.60	-	-	3,753	3,590
Cinnamon Hotels Management Ltd.	1,000,000	100.00	1,000,000	100.00	368,640	301,533
Cinnamon Hotels Management International (Pvt) Ltd.	50,000	100.00	-	-	-	-
Cinnamon Holiday (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	-	-	4,018	3,451
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	-	-	4,292	4,384
Habarana Walk Inn Ltd.	4,321,381	79.34	-	-	2,821	2,561
Hikkaduwa Holiday Resorts (Pvt) Ltd.	107,596,700	79.60	-	-	2,524	2,147
InfoMate (Pvt) Ltd.	2,000,000	100.00	2,000,000	100.00	37,553	35,125
International Tourists and Hoteliers Ltd.	38,490,901	79.78	-	-	-	-
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	-	-	185,655	162,329
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 Information Technologies (Pvt) Ltd.	9,650,000	100.00	9,650,000	100.00	121,970	120,496
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	669,395	666,463
John Keells Land (Pvt) Ltd.	1,704,721,021	100.00	1,704,721,021	100.00	17,047,210	17,047,210
John Keells Logistics (Pvt) Ltd.	19,999,998	100.00	19,999,998	100.00	227,592	222,247
John Keells Maldivian Resorts (Pte) Ltd.	49,044,238	80.32	-	-	17,362	15,853
John Keells Office Automation (Pvt) Ltd.	500,000	100.00	500,000	100.00	64,848	59,850
John Keells Properties (Pvt) Ltd.	101,804	100.00	101,804	100.00	-	815
John Keells Properties Ja-ela (Pvt) Ltd	95,436,000	100.00	-	-	-	-
John Keells Property Developments (Pvt) Ltd.	105,405,680	100.00	-	-	-	-
John Keells Residential Properties (Pvt) Ltd.	2,081,698	100.00	2,081,698	100.00	20,817	20,817
John Keells Singapore (Pte) Ltd.	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Stock Brokers (Pvt) Ltd.	1,500,000	90.04	360,000	24.00	75,445	68,186
John Keells Teas Ltd.	12,000	100.00	12,000	100.00	19,261	16,886
John Keells Warehousing (Pvt) Ltd.	12,000,000	86.90	-	-	4,948	4,640
Kandy Walk Inn Ltd.	6,165,484	79.03	-	-	4,118	3,696
Keells Consultants (Pvt) Ltd.	928	100.00	928	100.00	1,920	1,660
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	1,394,958	1,384,291
Logipark International (Pvt) Ltd.	60,407,698	100.00	60,407,698	100.00	1,058,750	1,058,750
Mack Air (Pvt) Ltd.	89,260	100.00	89,260	100.00	35,164	30,382
Mack Air Services Maldives (Pvt) Ltd.	4,900	49.00	4,700	47.00	2,021	2,021
Mack Freight Lanka (Pvt) Ltd.	13,000,000	100.00	13,000,000	100.00	1,204	214
Mackinnon Keells Ltd.	31,966,951	100.00	31,966,951	100.00	670,166	670,166

As at 31 March	GROUP		COMPANY			
	2020		2020			2019
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In LKR '000s	Cost In LKR '000s
Mackinnon Mackenzie and Company (Shipping) Ltd.	139,092	100.00	139,092	100.00	65,790	65,789
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	29,452	27,420
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.	151,107	79.60	-	-	-	-
Serene Holidays (Pvt) Ltd.	800,000	98.35	-	-	-	-
The Colombo Ice Company (Pvt) Ltd.	169,999,999	81.36	-	-	-	-
Tranquility (Pte) Ltd.	637,499	80.32	-	-	5,241	5,076
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	-	-	3,444	2,801
Trinco Holiday Resort (Pvt) Ltd	8,120,005	80.32	-	-	3,484	3,118
Trinco Walk Inn Ltd.	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd.	1,305,314,696	60.28	-	-	-	
Walkers Tours Ltd.	3,737,634	98.51	3,737,634	98.05	185,218	174,565
Waterfront Properties (Pvt) Ltd.	4,941,541,645	95.63	4,210,617,219	74.56	42,193,019	31,844,341
Whittall Boustead (Pvt) Ltd.	5,341,105	100.00	5,341,105	100.00	1,640,754	1,623,663
Whittall Boustead (Travel) Ltd.	22,452,271	100.00	22,452,271	100.00	273,882	270,631
Wirawila Walk Inn Ltd.	1,706,750	80.32	-	-	-	-
Yala Village (Pvt) Ltd.	28,268,000	75.33	-	-	2,691	2,319
Yala Village (Pvt) Ltd.- Non voting preference shares	10,000,000	80.32	-	-	-	-
					67,650,005	57,130,018

27. Investment in equity accounted investees

Accounting policy

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Associate companies incorporated in Sri Lanka of the Group which have been accounted for under the equity method of accounting are:

Capitol Hotel Holdings (Pvt) Ltd.
Fairfirst Insurance Ltd.
Indra Hotels and Resorts Kandy (Pvt) Ltd.
Maersk Lanka (Pvt) Ltd.
Nations Trust Bank PLC.
Saffron Aviation (Pvt) Ltd.
South Asia Gateway Terminals (Pvt) Ltd.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures incorporated in Sri Lanka entered into by the Group, which have been accounted for using the equity method, are:

Braybrooke Residential Properties (Pvt) Ltd.
DHL Keells (Pvt) Ltd.
Sentinel Reality (Pvt) Ltd.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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.

Investments in equity accounted investees are carried at cost less any accumulated impairment losses. The Group has not determined impairment as at the reporting date due to the COVID-19 pandemic.

As at 31 March	GROUP Number of shares	Effective Holding %	2020 In LKR '000s	2019 In LKR '000s	COMPANY Number of shares	Effective Holding %	2020 In LKR '000s	2019 In LKR '000s
27.1 Investments in joint ventures								
Braybrooke Residential Properties (Pvt) Ltd.	102	50.00	1,804,500	1,804,500	-	-	-	-
DHL Keells (Pvt) Ltd.	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
Sentinel Reality (Pvt) Ltd.	6,037,500	40.16	63,324	60,924	-	-	-	-
27.2 Investments in associates								
Quoted								
Nations Trust Bank PLC.- Voting shares	72,278,880	29.51	1,699,620	1,699,620	48,347,078	19.74	1,198,265	1,198,265
Nations Trust Bank PLC.- Non voting shares	20,171,450	51.76	1,759,237	1,663,848	16,000,788	41.06	1,283,868	1,188,479
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd.	3,249,232	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Fairfirst Insurance Ltd.	68,902,870	19.80	689,718	689,718	-	-	-	-
Indra Hotels and Resorts Kandy (Pvt) Ltd.	67,050,025	32.00	565,361	420,561	-	-	-	-
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	21,774,750	-	217,748	217,748	21,774,750	40.00	217,748	217,748
South Asia Gateway Terminals (Pvt) Ltd.	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend			8,491,290	6,373,231				
Share of net assets of equity accounted investees			5,107,822	4,308,072				
			28,329,492	25,169,094			10,381,881	10,286,492

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) has by letter dated 12 October 2017 informed NTB that the Monetary Board of the CBSL has permitted the Group to retain its current shareholding in voting shares in the Bank till 31 December 2020 and to reduce it to 15 per cent with effect from that date. 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 2020, the Group has an economic interest of 32.57% in NTB.

As at 31 March In LKR '000s	Group 2020	Group 2019	Company 2020	Company 2019
Market Value*				
Quoted shares of Nations Trust Bank PLC.				
Voting shares	5,782,390	6,497,871	3,867,766	4,346,402
Non voting shares	1,613,716	1,527,481	1,280,063	1,192,577
	7,396,106	8,025,352	5,147,829	5,538,979

* The indicative market values of the 2020 are based on 31 December 2019 active market prices, since as at 31 March 2020 shows factors which are indicative of an inactive market due to COVID-19 pandemic.

27.3 Summarised financial information of equity accounted investees

As at 31 March In LKR '000s	South Asia Gateway Terminals (Pvt) Ltd. 2020	South Asia Gateway Terminals (Pvt) Ltd. 2019	Other associates 2020	Other associates 2019	Joint ventures 2020	Joint ventures 2019	Total 2020	Total 2019
Group share of;								
Revenue	6,960,626	6,688,598	9,062,151	9,031,584	2,854,639	2,019,181	18,877,416	17,739,363
Operating expenses including cost of sales	(4,482,461)	(3,858,010)	(5,935,617)	(6,725,599)	(2,463,494)	(1,797,382)	(12,881,572)	(12,380,991)
Net finance income	(92,044)	81,222	(873,763)	2,455	(11,046)	27,905	(976,853)	111,582
Tax expense	294,246	(3,912)	(748,705)	(659,014)	(98,075)	(79,683)	(552,534)	(742,609)
Share of results of equity accounted investees	2,680,367	2,907,898	1,504,066	1,649,426	282,024	170,021	4,466,457	4,727,345
Other comprehensive income	565,341	832,203	234,964	294,310	(498)	16,764	799,807	1,143,277
Group share of;								
Total assets	12,300,550	9,093,504	112,555,107	118,035,323	5,230,906	3,007,778	130,086,563	130,136,605
Total liabilities	(4,368,156)	(2,681,409)	(99,471,192)	(106,406,232)	(2,660,973)	(623,120)	(106,500,321)	(109,710,761)
Net assets	7,932,394	6,412,095	13,083,915	11,629,091	2,569,933	2,384,658	23,586,242	20,425,844
Goodwill	4,674,278	4,674,278	55,712	55,712	13,260	13,260	4,743,250	4,743,250
	12,606,672	11,086,373	13,139,627	11,684,803	2,583,193	2,397,918	28,329,492	25,169,094
Contingent liabilities	-	-	-	-	-	-	-	-
Capital commitments	-	-	199,359	273,019	13,484,547	8,099,056	13,683,906	8,372,075
Other commitments and Guarantees	-	-	624,094	61,297,752	-	-	624,094	61,297,752
Dividend received	1,725,410	2,700,712	522,987	562,063	100,000	-	2,348,397	3,262,775

The share of results of equity accounted investees in the Income Statement and the Statement of Other Comprehensive Income are shown net of all related taxes.

The Group and the Company have neither contingent liabilities nor capital and other commitments towards its associates and joint ventures.

Significant accounting policies that are specific to the business of equity accounted investees

Nations Trust Bank PLC. (Bank)

Revenue from contracts with customers

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income and expense

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefit associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is also recognised using the contractual interest rate in interest income.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to the following three categories:

- Fee income earned from services that are provided over a certain period of time Fees earned for the provision of services are recognised as revenue as the services are provided. These fees include commission income and asset management fees, custody and other management and advisory fees.

- Fee income from providing financial services are earned on the execution of a significant act Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the lending transactions or other securities are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

- Fee income forming an integral part of the corresponding financial instrument Fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established which is generally when the shareholders approve the dividend.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value.

Rental income

Rental income is recognised on a straight line basis

Other income

Other income is recognised on an accrual basis

South Asia Gateway Terminals (Pvt) Ltd.

Stevedoring revenue

Stevedoring revenue is recognised on the berthing time of the vessel.

Storage revenue

Storage revenue is recognised on the issue of delivery advice.

South Asia Gateway Terminals (Pvt) Ltd uses United States Dollar (USD) as its functional currency.

Fairfirst Insurance Ltd.

Revenue from insurance contracts

General insurance business-gross written premium

Gross written premiums (GWP) comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium

Insurance contract liabilities - general

Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR/ IBNER) and the provision for unearned premium and the provision for premium deficiency.

28. Non current financial assets

As at 31 March In LKR '000s		Group 2020	Group 2019	Company 2020	Company 2019
Other quoted equity investments		125	234	-	-
Other unquoted equity investments	28.1	144,368	104,978	89,049	61,524
Other non equity investments	28.2	39,933,976	35,081,093	195,929	219,745
		40,078,469	35,186,305	284,978	281,269

28. Non current financial assets (Contd.)

28.1 Other unquoted equity investments

As at 31 March In LKR '000s	GROUP Number of shares	GROUP 2020	GROUP 2019	COMPANY Number of shares	COMPANY 2020	COMPANY 2019
Asia Power (Pvt) Ltd.	388,527	72,549	49,524	388,527	72,549	49,524
Other equity instruments	-	71,819	55,454	-	16,500	12,000
		144,368	104,978		89,049	61,524

28.2 Other non equity investments

As at 31 March In LKR '000s		Group 2020	Group 2019	Company 2020	Company 2019
Bank deposits		1,269,863	216,230	125,472	116,123
Debentures		8,038,787	5,681,130	-	-
Preference shares		320,957	288,525	-	-
Government securities		27,478,202	25,938,402	-	-
Loans to executives	28.3	971,913	1,024,353	70,457	103,622
Loans to life policyholders		1,627,555	1,300,907	-	-
Cash flow hedge		-	391,308	-	-
Deposits with non bank institutions		226,699	240,238	-	-
		39,933,976	35,081,093	195,929	219,745

28.3 Loans to executives

As at 31 March In LKR '000s	Group 2020	Group 2019	Company 2020	Company 2019
At the beginning of the year	1,282,679	1,157,182	128,796	109,689
Loans granted / transfers	643,352	734,773	96,888	107,646
Recoveries	(629,567)	(609,276)	(135,506)	(88,539)
At the end of the year	1,296,464	1,282,679	90,178	128,796
Receivable within one year	324,551	258,326	19,721	25,174
Receivable between one and five years	971,913	1,024,353	70,457	103,622
	1,296,464	1,282,679	90,178	128,796

29. Other non current assets

As at 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
Pre paid staff cost		304,566	317,078	18,842	27,113
Work-in-progress - Waterfront project	29.1	78,431,575	75,810,180	-	-
Non current advances		846,608	1,147,527	-	-
		79,582,749	77,274,785	18,842	27,113

29.1 Work-in-progress - Waterfront project

As at 31 March In LKR '000s	GROUP 2020	GROUP 2019
Freehold property*	11,541,115	11,127,057
Leasehold property*	3,111,860	4,518,412
Other constructions in progress	58,389,362	55,354,766
Contractor advances	5,389,238	4,809,945
	78,431,575	75,810,180

* The freehold and leasehold property are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

Other Non-Current Assets represents the construction work in progress, which mainly consists of Freehold Land, advance paid on obtained Lease Land and other project cost incurred. Freehold land included under other non-current asset is carried at cost. Lease prepaid in advance consists of the prepayment made to obtaining the lease land rights for 99 years. Other project cost includes advances paid to contractors, directly attributable cost incurred on the project and borrowing cost capitalized.

There are delays in construction due to COVID-19 related temporarily shutdowns. The Group has not determined impairment as at the reporting date.

Details of the Waterfront Integrated Resort Project

The company is engaged in the development and construction of an integrated complex with an approximate area of 4,500,000 square feet, comprising of offices, residential units, a hotel and conference centre, retail and associate facilities and a car park.

Details of property	Leasehold		Freehold
	BOI*	UDA**	
Extent:	2A-3R-21.02P	13P	7A-0R-16.63P
Period:	99 years from 12-02-2014	99 years from 01-08-2018	-
Lease commitment:	Upfront Lease rental of LKR. 3,030 Mn	Upfront Lease rental of LKR. 75.5 Mn	-

* Board of Investment
** Urban Development Authority

29.2 Total project cost - Waterfront project

Upon completion of the Waterfront project, the total cost will be allocated in the following percentages under each asset category. As estimated at this juncture of time the final project cost allocation will be done in an absolute manner once the project is at near completion.

Asset category	Type	Cost percentage
Property, plant and equipment	Hotel	49%
Investment Property	Commercial buildings	27%
Inventory	Residential apartments	24%
		100%

Other non- current assets

There may be delays in construction due to COVID-19 related shutdowns since there are restrictions of movement of people. No impairment is recognised in the financial statement since the projects are still work-in progress with no indication or decision to discontinue.

30. Inventories

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Raw materials - On a weighted average basis
- Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs
- Other inventories – At actual cost
- Inventory work in progress includes transfer of Waterfront project apartments and commercial space – At actual cost

The Group has identified companies with COVID-19 related revenue declines or disrupted supply chains and evaluated whether it is required to adjust the carrying value of the inventory. perishables, products with short shelf lives or expiration dates, or specific seasonal inventories were considered at risk of an impairment. The Group has adjusted the carrying value of the inventory to reflect its net realizable value.

AS at 31 March In LKR '000s	GROUP 2020	GROUP 2019
Inventories		
Raw materials	675,155	587,057
Finished goods	6,539,106	7,120,299
Produce stocks	182,161	298,700
Other stocks	1,387,884	1,540,958
Inventory work in progress	41,384,448	-
	50,168,754	9,547,014

31. Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year, LKR. 1,136 Mn was recognised as provision for expected credit losses on trade receivables.

		Group		Company	
As at 31 March In LKR '000s	Note	2020	2019	2020	2019
Trade and other receivables		11,059,966	13,412,588	105,730	80,946
Reinsurance receivables		421,297	455,210	-	-
Premiums receivable		380,513	294,821	-	-
Loans to executives	28.3	324,551	258,326	19,721	25,174
		12,186,327	14,420,945	125,451	106,120

32. Other current assets

	Group		Company	
As at 31 March In LKR '000s	2020	2019	2020	2019
Prepayments and non cash receivables	4,132,193	2,831,209	990,557	60,539
Tax refunds	2,381,160	2,684,499	134,272	17,896
	6,513,353	5,515,708	1,124,829	78,435

33. Short term investments

		Group		Company	
As at 31 March In LKR '000s	Note	2020	2019	2020	2019
Quoted equities at market value	33.1	2,869,945	2,795,829	-	-
More than 3 months and less than 1 year					
Debentures		88,353	672,216	-	-
Bank deposits		21,305,396	12,359,020	19,224,828	11,162,520
Government securities		1,088,626	2,105,572	-	-
		25,352,320	17,932,637	19,224,828	11,162,520
Less than 3 months					
Debentures		464,657	153,027	-	-
Bank deposits		10,781,041	32,562,005	8,147,175	30,432,363
Government securities		1,859,952	2,108,956	-	-
Reported in statement of cash flows		13,105,650	34,823,988	8,147,175	30,432,363
		38,457,970	52,756,625	27,372,003	41,594,883

33.1 Quoted equities at market value

As at 31 March	Number of shares		Cost		Market value	
	2020	2019	2020 In LKR '000s	2019 In LKR '000s	2020 In LKR '000s	2019 In LKR '000s
Access Engineering PLC.	-	2,965,739	-	74,852	-	38,555
Aitken Spence Hotel Holdings PLC.	490,393	490,393	34,934	34,934	22,803	11,622
Cargills (Ceylon) PLC.	665,852	-	128,783	-	128,783	-
Central Finance Company PLC.	-	595,987	-	54,964	-	50,361
Ceylon Cold Stores PLC.	24,348	-	18,748	-	18,748	-
Chevron Lubricants Lanka PLC.	-	426,400	-	29,039	-	26,693
Commercial Bank of Ceylon PLC.	5,570,045	2,345,720	520,075	227,297	504,199	216,812
DFCC Bank PLC.	462,480	462,480	78,099	78,099	42,502	32,374
Dialog Axiata PLC.	2,697,066	6,062,610	29,668	64,326	33,174	55,170
Diesel and Motor Engineering PLC.	-	22,062	-	33,340	-	6,722
Distilleries Company of Sri Lanka PLC.	1,662,840	6,060,198	29,999	109,720	30,763	87,873
Hatton National Bank PLC.	4,241,046	4,408,558	726,124	761,494	635,777	698,097
Hemas Holdings PLC.	950,894	2,128,892	62,277	175,658	76,072	159,667
John Keells Holdings PLC.	978,481	358,470	135,544	52,430	143,828	55,921
Melstacorp PLC.	-	2,703,454	-	154,085	-	97,324
National Development Bank PLC.	1,535,938	1,464,387	242,259	234,937	153,594	137,945
National Trust Bank PLC.	-	329,718	-	29,783	-	29,642
Nestle Lanka PLC.	181,722	74,551	265,859	126,697	236,210	121,116
Peoples Leasing and Finance PLC.	4,152,870	4,516,116	72,338	79,105	74,336	60,516
Piramal Glass PLC.	9,810,292	21,233,003	59,070	128,847	44,146	74,316
Sampath Bank PLC.	2,361,580	2,740,544	524,250	650,406	383,521	493,572
Seylan Bank PLC.	616	847,412	31	62,659	21	39,937
Textured Jersey Lanka PLC.	3,489,689	7,914,037	108,581	272,671	137,723	240,587
Tokyo Cement Company (Lanka) PLC.	4,589,292	3,162,793	114,458	59,858	203,745	61,007
			3,151,097	3,495,201	2,869,945	2,795,829

Above list mainly comprises of the investments made by Union Assurance PLC. (UA) under the unit linked equity tracker fund, which invests in the companies that comprise the S&P Price Index.

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. Stated capital and other components of equity (Contd.)

34.1 Stated capital

As at 31 March	GROUP 2020 Number of shares In '000s	2020 Value of shares In LKR '000s	2019 Number of shares In '000s	2019 Value of shares In LKR '000s
Fully paid ordinary shares				
At the beginning of the year	1,318,173	62,806,482	1,387,529	62,802,327
Share options exercised	378	74,813	20	4,155
Share repurchase	-	-	(69,376)	-
At the end of the year	1,318,551	62,881,295	1,318,173	62,806,482

The number of shares in issue as at 31 March 2020 was 1,319 Mn which include global depository receipts (GDRs) of 1,320,942 (2019 - 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 41,563,469 shares (2019 - 45,736,456) have been reserved to be issued under the employee share option plan as at 31 March 2020.

The Company repurchased 69,376,433 of its Ordinary Shares during the 2018/2019 financial year amounting to 5 per cent of the total number of issued shares of the Company, at LKR 160.00 per share.

34.2 Other components of equity

As at 31 March In LKR '000s	Group 2020	Group 2019	Company 2020	Company 2019
Revaluation reserve	37,578,451	35,931,552	-	-
Foreign currency translation reserve	21,655,664	15,939,589	-	-
Other capital reserve	2,700,147	2,390,966	2,700,147	2,390,966
Restricted regulatory reserve	3,564,742	3,509,194	-	-
Cash flow hedge reserve	(508,480)	402,646	-	-
Fair value reserve of financial assets at FVOCI	1,094,830	472,169	24,797	9,773
	66,085,354	58,646,116	2,724,944	2,400,739

Revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

The other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Restricted regulatory reserve

Union Assurance PLC (UA)

Based on the direction issued by the IRCSL dated 20 March 2018, and subsequent approval, UA has transferred LKR. 3,382 Mn attributable to non-participating and non unit fund of unit linked business from the life policyholder fund to the life shareholder fund (SHF). The distribution of the one-off surplus to shareholders, held as part of the Restricted Regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one-off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

Nations Trust Bank PLC (NTB)

Statutory reserve fund is maintained as per the requirement in terms of Section 20 of the Banking Act No 30 of 1988. Accordingly, a sum equivalent to 5% of profit after tax transferred to the reserve fund until the reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter, a further 2% of profits will transferred until the said reserve fund is equal to the Bank's stated Capital.

Cash flow hedge reserve includes the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

Fair value reserve of financial assets at FVOCI includes changes in fair value of financial instruments designated as financial assets at FVOCI.

35. Share-based payment plans

Accounting Policy

Employee share option plan - Equity-settled transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1 April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 19.2).

Employee share option scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 days volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

Share-based payment plans

For the year ended 31 March In LKR '000s	GROUP		COMPANY	
	2020	2019	2020	2019
Total expense arising from share-based payment transactions	328,425	475,629	87,085	144,665

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				COMPANY			
	2020		2019		2020		2019	
	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	45,736,456	159.26	44,893,817	166.69	16,231,867	159.80	16,320,171	168.10
Granted during the year	6,568,000	136.97	10,381,395	154.10	2,124,000	137	3,048,027	154.10
Transfers	-	-	-	-	(173,386)	159.13	753,927	161.88
Exercised during the year	(377,489)	147.21	(21,054)	146.14	(101,311)	149	(21,054)	146.14
Expired during the year	(10,363,498)	172.01	(9,517,702)	188.70	(3,661,230)	174.61	(3,869,204)	190.82
Outstanding at the end of the year	41,563,469	152.67	45,736,456	159.26	14,419,940	152.76	16,231,867	159.80
Exercisable at the end of the year	23,800,846	154.13	26,310,276	160.44	9,199,686	154.43	10,140,831	171.53

35. Share-based payment plans (Contd.)

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information were used and results was generated using binomial model for ESOP.

	COMPANY				
As at 31 March	2020 Plan no 10 award 1	2019 Plan no 9 award 3	2018 Plan no 9 award 2	2017 Plan no 9 award 1	2016 Plan no 8 award 3
Dividend yield (%)	3.62	3.76	3.99	2.18	1.44
Expected volatility (%)	17.47	17.77	17.54	21.05	19.19
Risk free interest rate (%)	9.83	10.09	11.48	11.91	8.13
Expected life of share options (Years)	5.00	5.00	5.00	5.00	5.00
Weighted average share price at the grant date (LKR)	138.70	154.10	173.25	142.83	171.25
Weighted average remaining contractual life for the share options outstanding (Years)	3.00	3.00	3.00	3.00	3.00
Weighted average fair value of options granted during the year (LKR)	46.23	51.37	56.27	56.29	64.62
Exercise price for options outstanding at the end of the year (LKR)	136.97	154.10	173.25	142.83	171.25
Exercise price for options outstanding at the end of the year (LKR) (adjusted as at 31-03-2020)	136.97	154.10	173.25	142.83	149.84

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

	GROUP	
As at 31 March In LKR '000s	2020	2019
Insurance contract liabilities	37,856,844	32,535,048
Unclaimed benefits	328,995	298,010
	38,185,839	32,833,058

Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method as prescribed by the Regulation of Insurance Industry Act, No. 43 of 2000. The liability is determined as the discounted value of the expected contractual cash outflows less the discounted value of the expected premiums. Valuation assumptions are derived based on the best estimate experience with a prescribed risk margin to allow for adverse deviations. Non participating liabilities are discounted using the risk free yields. The value of participating policy liabilities is the higher of the value of the guaranteed benefits liability and the total benefits liability, derived at the participating insurance fund level. In calculating the guaranteed benefits liability, only the guaranteed benefits are considered and the cashflows are discounted using the risk free interest rate yield curve. Total benefits liability includes all the guaranteed and non guaranteed benefits, and discount the cash flows using the fund based yield of the participating insurance fund. The Liability is de-recognised when the contract expenses is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, by using a liability adequacy test.

Liability adequacy test (LAT)
At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate by using an existing liability adequacy test as laid out under SLFRS 4. The liability value is adjusted to the extent that it is adequate to meet future benefits and expenses. In performing the adequacy test, current best estimates of future contractual cash flows, including related cash flows such as claims handling and policy administration expenses, policyholder options and guarantees, as well as investment income from assets backing such liabilities, are used.

Any deficiency is recognised in the income statement by setting up a provision for liability adequacy.

Accounting judgements, estimates and assumptions
Product classification
SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary participating features (DPF)
DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payment to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

Valuation of life insurance contract liabilities
Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating and non participating life insurance products. Short duration contract liabilities are primarily group term, accident and health insurance products. The actuarial reserves have been established based on the following;

- Non participating liabilities are discounted using risk free yield curve provided by the IRCSL and the participating liabilities are based on the fund yield of the life fund.
- Mortality rates based on published mortality tables adjusted for actual experience as required by regulations issued by the IRCSL.
- Surrender rates based on actual experience.

The amount of policyholder dividend to be paid is determined annually by the company. The dividend includes life policyholders share of net income that is required to be allocated by the insurance contract.

Mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates were the assumptions used for the valuation of insurance contract liabilities. For those contracts that insure risk related to longevity, prudent allowance is made for expected future mortality improvements, as well as wide ranging changes to the life style, which could result in significant changes to the expected future mortality exposure.

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.

The valuation of the insurance contract liabilities in relation to the life business was performed by an external actuary as at 31 December 2019. Management has determined that. There is no material impact on the assumptions used for the valuation of insurance contract liabilities due to the COVID-19 outbreak as at 31 March 2020 as management has determined that it is not required to change the operative assumptions.

Valuation of life insurance fund

The valuation of the conventional life insurance fund as at 31 December 2019 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and a sum of LKR. 1,000 Mn was transferred from the conventional life insurance fund to the shareholders fund for the year 2019. Subsequent to the transfer the conventional life fund stood at LKR. 35,448 Mn.

Similarly, the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and non unit fund stood at LKR. 42 Mn.

In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2019 is adequate to cover the liabilities of the funds.

As at 31 March 2020, an internal actuarial valuation has been carried out for the conventional life insurance fund and the non unit fund of linked long term business. In the opinion, it was concluded that the admissible assets are adequate to cover the liabilities of the funds.

One - off surplus arising from change in policy liability valuation

The one-off surplus comprises of LKR. 432.5 Mn attributable to participating business and LKR. 2.5 Mn attributable to unit linked fund and LKR. 3,382 Mn attributable to non-participating and non-unit fund of unit linked business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred LKR. 3,382 Mn attributable to non - participating and non-unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

Movement in Life Insurance fund

As at 31 December In LKR '000s	2019	2018
Conventional life insurance fund		
Balance as at 1 January	30,557,320	26,912,057
Increase in life insurance fund before surplus transfer to share holders	5,940,278	5,106,818
Transfer to shareholders	(1,000,000)	(1,084,874)
Effect of taxation on surplus/bonus transferred to policyholders	(24,631)	(26,428)
Net change in unclaimed benefits	(24,934)	(350,253)
Balance as at 31 December	35,448,033	30,557,320
Non unit fund of linked life insurance contracts		
Balance as at 1 January	42,561	37,556
Increase in non unit fund of linked life insurance before surplus transfer to share holders	6,841	8,929
Transfer to shareholders	-	(15,126)
Net change in unclaimed benefits	(7,684)	11,202
Balance as at 31 December	41,718	42,561
	35,489,751	30,599,881

Liability adequacy test (LAT) - Life insurance contract liabilities

As at 31 December 2019, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited who concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

36.2 Change in life insurance contract liabilities

The results of Union Assurance PLC's (UA) life business segment is consolidated into the Group's Consolidated Income Statement. The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policy holders during the year.

Summarised financial information

For the year ended 31 March In LKR '000s	2020	2019
Total Revenue	11,120,928	10,637,226
Cost of sales	(5,290,054)	(5,190,123)
Gross profit	5,830,874	5,447,103
Operating expenses including distribution and administration expenses	(3,681,724)	(2,547,119)
Net finance income	4,523,686	3,484,369
Profit attributable to shareholders of UA	(1,055,405)	(2,961,460)
Change in insurance contract liabilities	5,617,431	3,422,893

Union Assurance PLC follows a risk mitigation approach for inherent uncertainty regarding the occurrence, amount or timing of insurance contract liabilities.

Following table describs headline risks and responses.

Headline risk	Risk response
Investment return on underlying items failing below guaranteed minimum rates	Management discretion to determine amount and timing of policy holders bonuses (within limits)
Insufficient fees to cover cost of guarantees and expenses	Hedging programme
Differences in duration and yield of assets and liabilities	. Matching of assets and liabilities cash flows . Investing in investment grade assets
Policy holder behavioural risk	Surrender penalty

37. Interest-bearing loans and borrowings

37.1 Movement

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
At the beginning of the year	24,481,117	20,583,499	852,882	-
Cash movement				
Loans obtained	33,268,809	3,797,498	-	898,125
Repayments	(7,086,683)	(1,992,028)	(300,468)	(24,458)
Non cash movement				
SLFRS 16 initial recognition	13,629,028	-	-	-
Leases obtained	7,607,634	-	-	-
Accrued Interest	1,621,534	57,308	-	-
Exchange rate adjustments	3,902,713	2,034,840	53,333	(20,785)
At the end of the year	77,424,152	24,481,117	605,747	852,882
Repayable within one year	6,588,682	3,204,613	316,042	293,500
Repayable after one year	70,835,470	21,276,504	289,705	559,382
	77,424,152	24,481,117	605,747	852,882

37. Interest-bearing loans and borrowings (Contd.)

37.2 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Carrying Value of Collaterals	2020 In LKR '000s	2019 In LKR '000s
Company					
John Keells Holdings PLC.	1 month LIBOR based plus margin	36 monthly installments commencing from March 2019	-	605,747	852,882
Group companies					
Beruwala Holiday Resorts (Pvt) Ltd	1 month LIBOR based plus margin	74 monthly installments commencing from April 2013	-	-	49,683
	1 months LIBOR based plus margin	16 quarterly installements commencing from March 2018	Corporate guarantee of John Keells Hotels PLC of USD 2 Mn	198,350	180,933
Fantasea World Investment (Pte) Ltd	3 months LIBOR based plus margin	22 quaterly installments after 18 months grace period commencing from December 2018	Primary Mortgage over Cinnamon Hakuraa Huraa Maldives	3,678,725	945,676
Ceylon Holiday Resort Ltd.	AWPLR plus margin	77 monthly instalments after a grace period of 18 months from the date of first disbursement	Corporate guarantee of John Keells Hotels PLC of USD 2.45Mn	2,092,297	-
Habarana Lodge Ltd.	1 month LIBOR based plus margin	Capital repayment in 4 equal quarterly instalments of USD 40,000	Corporate guarantee of John Keells Hotel PLC of USD 0.9 Mn	35,058	31,581
Hikkaduwa Holiday Resorts (Pvt) Ltd.	1 month AWPLR based plus margin	72 monthly installments commencing November 2013	-	-	11,828
	1 Month LIBOR based plus margin	16 Quarterly installments commencing from April 2018	-	148,131	135,097
John Keells Properties Ja-Ela (Pvt) Ltd.	1 month COF based plus margin	60 monthly installments commencing from December 2016	General terms and conditions for LKR 450 Mn signed relating to the term loan.	262,533	337,080
Keells Food Products PLC.	1 month COF based plus margin	60 monthly installments with one year grace period	-	165,336	23,147
Rajawella (Pvt) Ltd.	1 month COF based plus margin	60 monthly installments commencing from April 2020 with 1 year grace period.	-	350,000	-
The Colombo Ice Company (Pvt) Ltd.	COF based plus margin	60 monthly installments commencing from February 2016 with 1 year grace period	Corporate guarantee of Ceylon Cold Stores PLC for LKR3.8 bn	1,458,333	1,958,333
Trans Asia Hotels PLC.	Fixed rate (annually reviewed)	16 quarterly installments commencing from September 2016	-	177,774	165,479
Tranquility (Pte) Ltd.	3 months LIBOR plus 2.5 margin	20 quarterly installments after 1 year grace period commencing from September 2019	Primary mortgage over Cinnamon Dhonveli Maldives	5,347,425	2,460,686
Travel Club (Pte) Ltd.	1 month LIBOR based plus margin	12 quarterly installments commencing September 2017	-	63,208	146,208
Trinco Holiday Resorts (Pvt) Ltd	3 Months AWPLR based minus margin	83 monthly installments commencing July 2014	Letter of comfort from John Keells Hotels PLC	91,000	165,000
	1 month LIBOR based plus margin	8 quaterly installements commencing from May 2018	-	39,480	36,529

As at 31 March	Nominal Interest rate	Repayment terms	Carrying Value of Collaterals	2020 In LKR '000s	2019 In LKR '000s
Waterfront Properties (Pvt) Ltd.	3 months LIBOR based plus margin	13 quarterly installments commencing from September 2019	Freehold and leasehold land of LKR 11.4 bn. Additionally, as a part of the sponsor support, John Keells Holdings PLC has pledged 1.5 bn of its shares in Waterfront Properties (Pvt) Ltd.	41,044,683	16,929,845
Walkers Tours Ltd.	3.46% per annum (Subsidised by the Government 10.4% per annum)	23 monthly instalments after a grace period of 1 month from the date of first disbursement	-	251,438	-
Whittol Boustead Travel (Pvt) Ltd.	3.46% per annum (Subsidised by the Government 10.4% per annum)	23 monthly instalments after a grace period of 1 month from the date of first disbursement	-	95,547	-
Yala Village (Pvt) Ltd.	1 month LIBOR based plus margin	8 quarterly installments commencing from April 2018	Corporate guarantee of John Keells Hotels PLC for USD 1.5Mn	26,300	23,687
				56,131,365	24,453,674
Lease liability (Note 23.1.3)				21,292,787	27,443
				77,424,152	24,481,117

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.

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. Employee benefit liabilities (Contd.)

38.1 Employee benefit liabilities

As at 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
Employee defined benefit plan - gratuity	38.2	2,073,046	1,990,197	107,318	135,630
Other long term employee benefit	38.3	270,865	95,629	64,132	21,379
At the end of the year		2,343,911	2,085,826	171,450	157,009

38.2 Employee defined benefit plan - gratuity

As at 31 March In LKR '000s	Group 2020	Group 2019	Company 2020	Company 2019
At the beginning of the year	1,990,197	1,971,420	135,630	208,788
Current service cost	235,405	196,458	8,254	12,535
Transfers	-	-	(21,640)	2,634
Interest cost on benefit obligation	195,095	185,512	14,919	21,923
Payments	(238,597)	(334,143)	(22,005)	(109,256)
(Gain)/Loss arising from changes in assumptions	(109,054)	(29,050)	(7,840)	(994)
At the end of the year	2,073,046	1,990,197	107,318	135,630
The expenses are recognised in the income statement in the following line items;				
Cost of sales	205,689	200,862	2,171	9,458
Selling and distribution expenses	25,895	28,139	-	-
Administrative expenses	198,916	152,969	21,002	25,000
	430,500	381,970	23,173	34,458

38.3 Other long term employee benefits

As at 31 March In LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
At the beginning of the year	95,629	-	21,379	-
Current service cost	161,640	95,629	40,829	21,379
Interest cost	13,596	-	1,924	-
At the end of the year	270,865	95,629	64,132	21,379

Accounting judgements , estimates and assumptions

Employee benefit liability - gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The principal assumptions used in determining the cost of employee benefits were:

As at 31 March In LKR '000s	2020	2019
Discount rate	10.00% - 11.00%	9.50% - 11.00%
Future salary increases	6.00% - 8.00%	6.00% - 10.00%

38.4 Sensitivity of assumptions used

A percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity.

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Discount rate:				
1% Increase	(119,625)	(81,343)	(4,392)	(7,309)
1% Decrease	78,005	88,653	4,738	8,061
Salary Increment rate:				
1% Increase	85,654	92,332	5,008	8,298
1% Decrease	(80,440)	(86,203)	(4,714)	(7,649)

38.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan - gratuity in future years.

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Within the next 12 months	255,016	186,302	1,725	6,858
Between 1 and 2 years	261,187	254,958	10,501	8,197
Between 2 and 5 years	876,112	741,680	28,902	16,675
Between 5 and 10 years	618,574	737,708	66,190	90,501
Beyond 10 years	62,157	69,549	-	13,399
Total expected payments	2,073,046	1,990,197	107,318	135,630
Weighted average duration (years) of defined benefit obligation	7.95	5.76	6.81	9.97

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 Cinnamon life project.

As at 31 March In LKR '000s	2020	2019
Forward contract liability	544,646	-
Construction retention	3,075,217	1,652,138
	3,619,863	1,652,138

40. Other non current liabilities

Accounting policy

Group classifies all non financial non current liabilities under other non current liabilities which include non refundable advances and deposits.

As at 31 March In LKR '000s	2020	2019
Advances received	3,088,730	16,955
Contract liabilities	9,407,028	9,891,511
Deposits	117,947	137,589
Other deferred liabilities	204	230,612
	12,613,909	10,276,667

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.

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Trade and other payables	22,849,584	18,844,876	423,393	346,926
Contract Liabilities	72,868	74,266	-	-
Reinsurance payables	453,444	661,912	-	-
Advances and deposits	505,583	163,767	-	-
	23,881,479	19,744,821	423,393	346,926

Trade and other payables are non-interest bearing and settled within one year. Reinsurance payables are settled within one year. For further explanation on the Group's liquidity risk management process refer Note 11.2.2.

42. Short term borrowings

Accounting policy

Short term borrowings are the interest bearing borrowings of the Group which fall due within 12 months from the end of the financial year. These are obtained for working capital requirements.

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Bank borrowings	5,803,771	9,970,906	-	4,000,010
	5,803,771	9,970,906	-	4,000,010

43. Other current liabilities

Accounting policy

Group classifies all non financial current liabilities under other current liabilities.

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Non refundable deposits	588,252	228,850	2,566	2,566
Contract Liabilities	877,378	1,104,901	-	-
Other tax payables	157,507	1,644,977	809	3,080
	1,623,137	2,978,728	3,375	5,646

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.

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.

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 2019 audited financial statements, which required additional disclosures in the 2019/20 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 2019 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

44.1 Amounts due from related parties

		Group		Company	
As at 31 March **In LKR '000s**	**Note**	**2020**	**2019**	**2020**	**2019**
Subsidiaries	44.5	-	-	353,184	127,763
Equity accounted investees		389,766	225,634	328,433	53,463
Key management personnel		-	-	-	-
		389,766	225,634	681,617	181,226

44.2 Amounts due to related parties

		Group		Company	
As at 31 March **In LKR '000s**	**Note**	**2020**	**2019**	**2020**	**2019**
Subsidiaries	44.6	-	-	777	12,534
Equity accounted investees		2,073	92,532	-	3
Key management personnel		-	-	-	-
		2,073	92,532	777	12,537

44. Related party transactions (Contd.)

44.3 Transactions with related parties

For the year ended 31 March In LKR '000s	Note	Group 2020	Group 2019	Company 2020	Company 2019
Subsidiaries					
Purchases of goods		-	-	2,470	6,647
Rendering of services	44.5	-	-	1,122,614	1,324,003
Receiving of services	44.6	-	-	123,341	67,491
Rent paid		-	-	40,095	45,657
Dividend received		-	-	4,137,917	4,037,503
Equity accounted investees					
Sale of goods		12,405	41,071	-	-
Rendering of services	44.5	474,648	685,209	334,672	341,263
Receiving of services		231,860	950,072	269	374
Interest received	44.4	75,859	695,730	16,512	551,605
Interest paid	44.4	5,915	2,442	-	1
Dividend received			-	2,229,693	3,149,568
Key management personnel (KMP)					
Sale of goods		-	-	-	-
Close family members of KMP					
Sale of goods		-	-	-	-
Companies controlled / jointly controlled / significantly Influenced by KMP and their close family members					
Sale of goods		-	-	-	-
Post employment benefit plan					
Contributions to the provident fund		269,690	262,026	53,621	62,139

44.4 Transactions with related parties - Associates

For the year ended 31 March In LKR '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Nations Trust Bank PLC.				
Interest received	75,859	695,730	16,512	551,605
Interest paid	5,915	2,442	-	1

The Group held interest bearing deposits of LKR 1,370Mn (2019 - LKR 573 Mn) at Nations Trust Bank PLC as at 31 March 2020.

44.5 Related party transactions and balances

For the year ended/As at 31 March In LKR '000s	COMPANY Rendering of services 2020	2019	Amounts due from 2020	2019
Subsidiaries				
Asian Hotels and Properties PLC.	62,723	58,117	6,961	8,099
Beruwala Holiday Resorts (Pvt) Ltd.	12,254	10,724	4,135	434
Ceylon Cold Stores PLC.	94,178	87,880	24,902	-
Ceylon Holiday Resorts Ltd.	8,181	5,032	2,189	370
Cinnamon Hotel Management Services Ltd.	59,284	121,436	11,238	6,924
Fantasea World Investments (Pvt) Ltd.	3,360	2,879	574	158
Habarana Lodge Ltd.	10,490	9,171	1,832	550
Habarana Walk Inn Ltd.	8,473	7,872	1,464	526
Hikkaduwa Holiday Resorts (Pvt) Ltd.	10,762	9,608	2,192	579
InfoMate (Pvt) Ltd.	43,478	34,794	6,938	1,909
JayKay Marketing Services (Pvt) Ltd.	201,434	363,457	48,252	34,210
John Keells Information Technologies (Pvt) Ltd.	77,090	34,730	112,203	-
John Keells International (Pvt) Ltd.	6,030	5,559	-	1,351
John Keells Logistics (Pvt) Ltd.	43,046	32,454	10,777	3,837
John Keells Maldivian Resorts (Pte) Ltd.	4,044	3,446	588	343
John Keells Office Automation (Pvt) Ltd.	33,933	34,619	11,996	2,573
John Keells PLC.	18,578	22,118	382	1,395
John Keells Stock Brokers (Pvt) Ltd.	9,678	12,430	945	-
John Keells Teas Ltd.	1,550	2,397	789	399
John Keells Warehousing (Pvt) Ltd.	2,331	2,857	208	227
Kandy Walk Inn Ltd.	9,250	8,933	851	472
Keells Consultants (Pvt) Ltd.	3,118	2,419	777	-
Keells Food Products PLC.	37,764	31,835	4,342	2,667
Lanka Marine Services Ltd.	14,783	13,384	1,644	5
Mack Air (Pvt) Ltd.	17,582	17,165	1,445	1,380
Mackinnon Keells Ltd.	1,488	2,636	261	-
Mackinnons Travels (Pvt) Ltd.	13,370	14,223	2,247	-
Rajawella Holdings Ltd.	5,359	4,532	2,763	1,312
Tea Small Holder Factories PLC.	2,466	2,831	396	305
The Colombo Ice Company (Pvt) Ltd.	10,235	3,670	2,765	-
Tranquility (Pte) Ltd.	9,892	7,387	1,753	134
Trans Asia Hotels PLC.	41,908	35,948	4,072	-
Travel Club (Pvt) Ltd.	5,435	4,601	503	186
Trinco Holiday Resorts (Pvt) Ltd.	7,810	7,787	1,182	631
Union Assurance PLC.	74,052	110,300	38,674	40,203
Walkers Tours Ltd.	49,866	49,781	9,008	4,429
Waterfront properties (Pvt) Ltd.	53,453	50,362	14,854	4,994
Whittall Boustead (Pvt) Ltd.	23,252	61,896	5,082	3,768
Whittall Boustead (Travel) Ltd.	10,284	10,071	4,020	794
Yala Village (Pvt) Ltd.	9,922	7,864	2,612	555
Other subsidiaries	10,428	14,800	5,368	2,045
	1,122,614	1,324,003	353,184	127,763

44. Related party transactions (Contd.)
44.5 Related party transactions and balances (Contd.)

	COMPANY			
	Rendering of services		Amounts due from	
For the year ended/As at 31 March In LKR '000s	2020	2019	2020	2019
Joint ventures				
DHL Keells (Pvt) Ltd.	314,009	308,749	158,290	49,928
Braybrooke Residential Properties (Pvt) Ltd.	848	-	891	-
Associates				
Fairfirst Insurance Ltd.	-	-	12,635	-
Nations Trust Bank PLC.	-	-	149,243	852
Saffron Aviation (Pvt) Ltd.	4,167	3,785	1,219	814
Sancity Hotels and Properties Ltd.	9,897	8,641	2,643	498
Sentinel Reality (Pvt) Ltd.	111	20	50	22
South Asia Gateway Terminals (Pvt) Ltd.	5,640	20,068	3,460	1,349
	334,672	341,263	328,433	53,463

44.6 Related party transactions and balances

	COMPANY			
	Receiving of services		Amounts due to	
For the year ended/As at 31 March In LKR '000s	2020	2019	2020	2019
Subsidiaries				
Asian Hotels and Properties PLC.	4,901	9,687	-	-
InfoMate (Pvt) Ltd.	5,690	5,910	-	-
Mackinnons Travels (Pvt) Ltd.	-	18,955	-	2,399
Trans Asia Hotels PLC.	3,275	7,914	-	513
John Keells Information Technologies (Pvt) Ltd	90,494	4,471	-	-
Whittall Boustead (Pvt) Ltd.	7,968	9,820	-	-
Other subsidiaries	11,013	10,734	777	9,622
	123,341	67,491	777	12,534
Joint ventures				
DHL Keells (Pvt) Ltd.	227	231	-	-
Associates				
Fairfirst Insurance Ltd.	-	-	-	3
Sancity Hotels and Properties Ltd.	42	143	-	-
	269	374	-	3

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.

	GROUP		COMPANY	
For the year ended 31 March In LKR '000s	**2020**	**2019**	**2020**	**2019**
Short-term employee benefits	405,481	470,278	136,706	169,879
Post employment benefits	7,549	7,408	1,879	2,235
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	80,634	122,823	30,363	61,831
	493,664	600,509	168,948	233,945

Directors' interest in the employee share option plan of the Company

As at 31 March 2020, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

	COMPANY				
	2020			2019	
Expiry date	**Adjusted exercise price LKR**	**Number of shares outstanding at the end of period**	**Number of shares exercisable at the end of period**	**Number of shares outstanding at the end of period**	**Number of shares exercisable at the end of period**
24.06.2020	149.84	502,522	502,522	446,796	446,796
14.08.2021	142.83	600,000	450,000	502,522	376,890
02.07.2022	173.25	725,000	362,500	600,000	300,000
21.06.2023	154.10	880,000	220,000	725,000	181,250
30.06.2024	136.97	880,000	-	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 liability of the Company and the Group as at 31 March 2020, relates to the following;

John Keells Holdings PLC (JKH)

The contingent liability of the Company as at 31 March 2020, 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 2020 is estimated at LKR. 54 Mn.

Ceylon Cold Stores PLC (CCS)

The contingent liability of CCS as at 31 March 2020, 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 2020 is estimated at LKR. 36.5 Mn.

Ceylon Holiday Resorts Ltd (CHRL)

The contingent liability of CHRL as at 31 March 2020, relates to the following:

Income tax assessments relating to years of assessment 2012/13 to 2016/17. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2020 is estimated at LKR. 15.3 Mn.

Kandy Walk Inn Ltd (KWIL)

The contingent liability of KWIL as at 31 March 2020, relates to the following:

Income tax assessment relating to year of assessment 2016/17. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2020 is estimated at LKR. 5.4 Mn.

John Keells PLC (JKL)

The contingent liability of JKL as at 31 March 2020, relates to the following:

Financial Services VAT and NBT assessments relating to the periods from 1 April 2016 to 31 March 2017. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2020 is estimated at LKR. 6.3 Mn.

Lanka Marine Services (Pvt) Ltd. (LMS)

The contingent liability of LMS as at 31 March 2020, 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 2020 is estimated at LKR. 1,233 Mn.

Mackinnons Travels (Pvt) Ltd (MTL

The contingent liability of MTL as at 31 March 2020, relates to the following;

Value Added Tax assessments relating to the periods from 1 April 2009 to 31 March 2011 and 1 January 2017 to 31 March 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 a 31 March 2020 is estimated at LKR. 83 Mn.

Trans Asia Hotels PLC (TAH)

The contingent liability of TAH as at 31 March 2020, relates to the following:

Income tax assessments relating to years of assessments 2012/13 to 2016/2017. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on the information available, the contingent liability as at 31 March 2020 is estimated at LKR. 141.4 Mn.

Union Assurance PLC (UA)

The contingent liability of UA PLC as at 31 March 2020, relates to the following;

Value Added Tax assessments relating to the periods from 1 April 2016 to 31 March 2017. The company has lodged appeals against the assessments and is contesting these under appellate procedure. Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2020 is estimated at LKR. 17.5 Mn.

Financial Services VAT and NBT assessments relating to the periods from 1 January 2016 to 31 December 2017. The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as a 31 March 2020 is estimated at LKR. 463 Mn.

Income Tax Assessments received for years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16 and 2016/17. The assessments were raised for the above years of assessments by making life insurance income liable to pay income taxes of LKR. 13 Mn, LKR. 132 Mn, LKR. 411 Mn, LKR. 175 Mn, LKR. 862 Mn, LKR. 832 Mn, and LKR 472 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 2016/17 and accordingly, have concluded that the above assessments have no rationale or basis in law.

46. Capital and other commitments

	GROUP		COMPANY	
As at 31 March In LKR '000s	2020	2019	2020	2019
Capital commitments approved but not provided for	47,751,815	82,642,798	-	-
Guarantees	1,843,256	2,824,709	117,000	117,000
	49,595,071	85,467,507	117,000	117,000

47. Assets pledged

Assets pledged for facilities obtained are given in Note 37.2 to the financial statements.

48. Events after the reporting period

Commencement of the Group's business operations

After a stringent lockdown period of over a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for few high risk districts, including the Colombo district, although business activity has resumed across the country, and it is encouraging that there is no indication of community spread in the country at the moment. The Group has evaluated all guidelines issued by the Government as well as international best practices and each of the Group businesses have developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

The most recent release by the Government states that curfew restrictions in the two districts will remain, with restrictions being eased off during the day for the gradual commencement of economic activities by the public and private sectors. Although it is too early to make an assessment, the Group has seen a smooth transition with the resumption of business activities where the Group is already seeing positive momentum. Given the volatile and evolving landscape, the Group will continue to monitor the impacts on its operations and proactively take measures to ensure the business continues as seamlessly as possible.

LONG-TERM COMMITMENT

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 – The firm 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 – Walkers Tours and Travels (Ceylon) Ltd, a leading inbound tour operator, was acquired

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, thus 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 overseas investment

1999 – Nations Trust Bank (NTB) was established, in a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. The South Asia Gateway Terminal (SAGT) commenced operations to own, operate, and develop the Queen Elizabeth Quay at the Port of Colombo

2000 – JKH became the first Sri Lankan company to obtain the SL-AAA credit rating from Fitch Ratings. The firm was admitted as a full member of the World Economic Forum and was also rated among the best 300 small companies in the world by Forbes Global magazine

2001-2007

2003 – JKH acquired Asian Hotels and Properties, thereby gaining control of 40 per cent of the five-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 and Resorts'. JKH entered into an MoU to develop a third resort in the Maldives and also acquired an 80 per cent of the Yala Village Hotel. Keells Plantations was sold off, 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. The Group released its first standalone Sustainability Report, in full compliance with the Global Reporting Initiative (GRI-G3) framework

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 also acquired 5.6 Mn shares of Union Assurance PLC and increased its stake 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 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. JayKay Marketing Services (Private) Limited merged with Nexus Networks (Private) Limited, with JMSL being the surviving entity

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. SAGT was ranked number one in South Asia and number four in the world for terminal productivity by the Journal of Commerce, USA. 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

2016/17 - 'John Keells X: Open Innovation Challenge 2016' was launched, creating a unique platform for disruptive and innovative solutions. John Keells Research filed its first patent for a novel energy source material that was developed through a research project undertaken in collaboration with the National Metallurgical Lab of the Council for Scientific and Industrial Research (CSIR-NML) in India. The second residential tower of the 'Cinnamon Life' project, 'The Suites at Cinnamon Life', comprising of 196 apartment units was launched. SAGT was awarded 'The Best Terminal in South Asia' by the Singapore based Global Ports Forum

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 - NTB's digital banking platform 'FriMi' reached Rs.1.00 billion in transactions and was also recognised as one of the top 30 digital banks in the Asia Pacific region by the Asian Banker. 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. The re-construction and refurbishment of 'Cinnamon Bentota Beach', formerly 'Bentota Beach Hotel', commenced in order to establish it as the 'Cinnamon' Brand's flagship property.

DECADE AT A GLANCE

31 March LKR Mn	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011*
OPERATING RESULTS										
Group revenue	140,043	135,456	121,215	106,273	93,710	91,852	86,706	85,408	75,924	60,500
EBIT	15,508	20,198	28,155	23,324	20,192	19,226	16,537	16,677	14,192	11,425
Finance cost	(3,166)	(2,722)	(521)	(436)	(994)	(668)	(1,217)	(1,081)	(1,416)	(796)
Share of results of equity accounted investees (net of tax)	4,466	4,727	3,596	3,303	2,781	2,778	3,089	3,440	2,809	2,641
Profit before tax	12,403	18,616	27,634	22,888	19,198	18,557	15,320	15,595	12,778	10,629
Tax expense	(2,662)	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)	(2,162)	(1,827)	(1,566)
Profit after tax	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063
Attributable to:										
Equity holders of the parent	9,414	15,254	21,021	16,275	14,070	14,348	11,721	12,113	9,689	8,245
Non-controlling interests	327	983	2,099	1,842	1,722	1,397	1,237	1,320	1,262	818
	9,741	16,237	23,120	18,117	15,792	15,745	12,958	13,433	10,951	9,063
CAPITAL EMPLOYED										
Stated capital	62,881	62,806	62,802	62,790	58,702	50,703	49,749	26,480	25,111	24,612
Capital reserves and other components of equity	66,085	58,646	49,852	38,652	28,715	24,501	21,845	20,635	13,226	9,560
Revenue reserves	87,885	82,834	87,266	77,193	67,565	62,594	51,304	42,704	33,001	25,415
	216,851	204,286	199,920	178,635	154,982	137,798	122,898	89,819	71,338	59,587
Non-controlling interest	26,872	26,072	24,944	15,696	13,499	12,279	11,421	11,152	8,624	7,608
Total equity	243,723	230,358	224,864	194,331	168,481	150,077	134,319	100,971	79,962	67,195
Total debt	100,907	54,513	29,722	22,766	20,750	23,934	26,139	20,107	20,054	14,641
	344,630	284,871	254,586	217,097	189,231	174,011	160,458	121,078	100,016	81,836
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	111,534	97,688	87,260	64,396	52,737	49,563	47,406	49,200	34,246	28,628
Non-current assets other than PP&E	204,360	170,687	136,427	107,912	93,376	78,030	71,969	59,787	52,397	47,436
Current assets	121,050	95,421	98,762	104,964	94,863	90,493	82,206	49,934	47,412	34,228
Liabilities net of debt	(92,314)	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)	(37,843)	(34,039)	(28,456)
	344,630	284,871	254,587	217,097	189,231	174,011	160,458	121,078	100,016	81,836
CASH FLOWS										
Net cash flows from operating activities	(10,350)	(4,743)	16,012	21,020	20,513	20,855	8,041	14,568	16,476	8,501
Net cash flows from / (used in) investing activities	(27,039)	(8,452)	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)	(16,199)	(9,003)	(4,469)
Net cash flows from / (used in) financing activities	18,431	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)	25,446	(1,320)	496	(6,791)
Net increase / (decrease) in cash and cash equivalents	(18,959)	(14,709)	(5,215)	(755)	3,229	14,762	13,777	(2,951)	7,969	(2,759)
KEY INDICATORS										
Basic earnings per share (Rs.)	7.10	11.13	15.20	11.9	10.5	12.6	10.5	10.7	9.5	8.2
Interest cover (no. of times)	4.9	7.8	54	52.8	51.5	27.7	13.6	15.4	10.0	14.4
Net assets per share** (Rs.)	164.5	154.9	151.7	135.5	117.6	104.5	93.2	68.1	54.1	45.2
Enterprise value (EV)	207,528	210,020	187,926	136,022	124,182	155,675	124,182	203,615	166,143	175,672
EV / EBITDA	9 .4	8.5	5.8	5.0	5.0	6.6	10.0	10.0	13.1	13.1
ROE (%)	4.5	7.5	11.1	9.8	9.6	11. 0	11.0	15.0	14.7	15.1
Debt / equity ratio (%)	41.4	23.7	13.2	11.7	12.3	15.9	19.5	19.9	25.0	21.8
Dividend payout (Rs. Mn)	4,614	8,186	8,325	7,280	8,038	3,476	3,267	2,982	2,314	1,844
Current ratio (no. of times)	2.1	1.7	3.0	3.7	4.0	2.6	2.4	2.0	2.0	1.8
Market price per share unadjusted (Rs.)	115.4	156.0	159.6	137.9	148.0	199.4	227.0	247.0	206.0	285.6
Market price per share diluted (Rs.)	115.4	156.0	159.6	137.9	129.5	192.7	173.8	238.2	152.6	34.6
Revenue growth rate (%)	3.4	11.8	14.1	13.4	1.6	5.9	4.1	9.7	25.5	26.1
USD closing rate (Rs.)	189.6	175.5	155.9	151.9	147.7	133.5	130.7	126.8	128.1	110.4
USD average rate (Rs.)	179.4	168.6	153.6	148.0	139.2	131.2	130.1	129.9	112.6	112.1

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31 March 2020

ECONOMIC VALUE STATEMENT

For the year ended 31 March LKR. Mn	Transportation 2020	Transportation 2019	Consumer Foods 2020	Consumer Foods 2019	Retail 2020	Retail 2019	Leisure 2020	Leisure 2019	Property 2020	Property 2019
Direct economic value generated										
Revenue	25,066	25,307	18,694	17,461	65,987	55,847	19,323	25,880	1,072	1,144
Finance income	173	140	845	783	28	25	783	1,157	409	369
Share of results of associates	2,997	3,435	-	-	-	-	(8)	56	95	(33)
Profit on sale of assets & other income	164	(9)	353	276	1,763	1,506	312	(142)	(62)	-
Valuation gain on IP	-	-	42	26	-	-	22	53	455	106
	28,400	28,873	19,934	18,546	67,778	57,378	20,432	27,004	1,969	1,586
Economic value distributed										
Operating costs	25,335	26,566	10,612	9,930	58,949	51,205	11,557	14,336	1,234	958
Employee wages & benefits	820	718	2,863	2,418	3,454	3,275	5,021	4,601	359	310
Payments to providers of funds	932	495	2,579	2,080	2,213	733	1,231	3,096	90	70
Payments to government	143	157	1,664	2,227	277	857	364	980	46	67
Community investments	6	7	14	14	19	17	10	33	1	2
	27,236	27,943	17,732	16,669	64,912	56,087	18,183	23,046	1,730	1,407
Economic value retained										
Depreciation	195	191	844	744	1,063	830	1,818	1,616	35	37
Amortisation	2	2	9	6	850	43	1,413	506	27	20
Profit after dividends	967	737	1,349	1,127	953	418	(982)	1,836	177	122
Retained for reinvestment / growth	1,164	930	2,202	1,877	2,866	1,291	2,249	3,958	239	179

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			
	2020	2019	2020	2019	2020	2019	2020	2019	2020	%	2019	%
	11,251	10,832	5,976	5,366	147,369	141,837	(7,326)	(6,381)	140,043	89.38	135,456	87.68
	4,785	4,810	10,342	13,705	17,365	20,989	(8,008)	(8,937)	9,357	5.97	12,052	7.80
	1,382	1,269	-	-	4,466	4,727	-	-	4,466	2.85	4,727	3.06
	50	37	2,082	2,454	4,662	4,122	(2,420)	(2,196)	2,242	1.43	1,926	1.25
	-	-	54	140	573	325	-	-	573	0.37	325	0.21
	17,468	16,948	18,454	21,665	174,435	172,000	(17,754)	(17,514)	156,681	100.00	154,486	100.00
	13,639	10,384	8,169	5,417	129,495	118,796	(17,591)	(7,777)	111,904	71.42	111,019	71.86
	1,226	1,063	2,062	1,931	15,805	14,316	-	-	15,805	10.09	14,316	9.27
	1,324	2,628	5,264	8,948	13,633	18,050	(5,630)	(6,255)	8,003	5.11	11,795	7.63
	-	2	756	1,351	3,250	5,641	-	-	3,250	2.07	5,641	3.65
	1	1	5	21	56	95	-	-	56	0.04	95	0.06
	16,190	14,078	16,256	17,668	162,239	156,898	(23,221)	(14,032)	139,018	88.73	142,866	92.47
	86	75	144	165	4,185	3,658	-	-	4,185	2.67	3,658	2.37
	436	296	32	21	2,769	894	-	-	2,769	1.77	894	0.58
	756	2,499	2,022	3,811	5,242	10,550	5,467	(3,482)	10,709	6.83	7,068	4.58
	1,278	2,870	2,198	3,997	12,196	15,102	5,467	(3,482)	17,663	11.27	11,620	7.53

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

Income Statement
for information purposes only

For the year ended 31 March In USD '000s	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Continuing operations				
Revenue from contracts with customers	679,877	711,422	7,711	9,813
Revenue from Insurance Contracts	58,647	60,628	-	-
Total Revenue	738,524	772,050	7,711	9,813
Cost of sales	(600,981)	(613,672)	(5,247)	(4,784)
Gross profit	137,543	158,378	2,464	5,029
Dividend income	-	-	33,580	40,964
Other operating income	11,822	10,976	241	1,521
Selling and distribution expenses	(29,102)	(33,852)	-	-
Administrative expenses	(69,311)	(70,739)	(6,254)	(7,201)
Other operating expenses	(15,150)	(21,120)	(137)	(561)
Results from operating activities	35,802	43,643	29,894	39,752
Finance cost	(16,694)	(15,516)	(1,250)	(1,052)
Finance income	49,347	68,690	20,157	36,200
Change in insurance contract liabilities	(29,624)	(19,509)	-	-
Change in fair value of investment property	3,024	1,850	-	-
Share of results of equity accounted investees (net of tax)	23,554	26,944	-	-
Profit before tax	65,409	106,102	48,801	74,900
Tax expense	(14,040)	(13,554)	(3,240)	(6,492)
Profit for the year	51,369	92,548	45,561	68,408
Attributable to:				
Equity holders of the parent	49,645	86,944		
Non-controlling interests	1,724	5,604		
	51,369	92,548		
Earnings per share				
Basic earnings per ordinary share	0.04	0.06		
Diluted earnings per ordinary share	0.04	0.06		

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 189.62 (2019 - 175.45) 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 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
ASSETS				
Non-current assets				
Property, plant and equipment	588,181	556,788	761	915
Right- of - use assets /Lease rentals paid in advance	196,020	82,148	-	-
Investment property	79,146	79,711	-	-
Intangible assets	17,345	19,411	541	534
Investments in subsidiaries	-	-	463,209	440,273
Investments in equity accounted investees	149,397	143,455	54,750	58,629
Non-current financial assets	211,356	200,549	1,503	1,603
Deferred tax assets	4,759	7,142	-	-
Other non-current assets	419,685	440,438	99	155
	1,665,889	1,529,642	520,863	502,109
Current assets				
Inventories	264,568	54,414	-	-
Trade and other receivables	64,265	82,194	662	605
Amounts due from related parties	2,055	1,286	3,595	1,033
Other current assets	34,349	31,437	5,932	447
Short term investments	202,811	300,693	144,348	237,075
Cash in hand and at bank	70,316	73,840	932	20,350
	638,364	543,864	155,469	259,510
Total assets	2,304,253	2,073,506	676,332	761,619
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	331,609	357,974	331,609	357,974
Revenue reserves	463,468	472,124	314,470	316,889
Other components of equity	348,505	334,261	14,370	13,681
	1,143,582	1,164,359	660,449	688,544
Non-controlling interest	141,712	148,600	-	-
Total equity	1,285,294	1,312,959	660,449	688,544
Non-current liabilities				
Insurance contract liabilities	201,376	187,136	-	-
Interest-bearing loans and borrowings	373,556	121,268	1,528	3,188
Deferred tax liabilities	43,744	44,210	-	-
Employee benefit liabilities	12,361	11,888	904	895
Non-current financial liabilities	19,090	9,417	-	-
Other non-current liabilities	66,520	58,573	-	-
	716,647	432,492	2,432	4,083
Current liabilities				
Trade and other payables	125,941	112,538	2,233	1,977
Amounts due to related parties	11	527	4	71
Income tax liabilities	9,216	8,577	2,054	1,286
Short term borrowings	30,607	56,830	-	22,799
Interest-bearing loans and borrowings	34,746	18,265	1,667	1,673
Other current liabilities	8,560	16,978	18	32
Bank overdrafts	93,231	114,340	7,475	41,154
	302,312	328,055	13,451	68,992
Total equity and liabilities	2,304,253	2,073,506	676,332	761,619

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 189.62 (2019 - 175.45) 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	Leasehold	Net book value 2020 LKR '000s	2019 LKR '000s
PROPERTIES IN COLOMBO						
John Keells PLC.						
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	-	0.08	-	1,250	1,249
Keells Realtors Ltd.						
427 & 429, Ferguson Road, Colombo 15.	2	27,750	1.22	-	405,060	400,282
Mackinnon Keells Ltd.						
Leyden Bastian Road, York Street, Colombo 01.	1	31,656	0.45	-	703,646	673,193
Union Assurance PLC.						
No 20, St. Michaels' Road, Colombo 03.	1	57,910	0.58	-	2,225,438	1,595,122
Vauxhall Developments (Pvt) Ltd.						
No.199 ,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	3.56	-	8,832,830	8,390,057
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2	-	-	2.09	-	5,183,200	5,008,850
No. 186, 186/3 Vauxhall Street, Colombo 2	-	-	3.72	-	9,236,605	8,333,254
John Keells Property Developments						
No. 12, 12/1, 12/2, 12/2A, 12/3, Tickell Road, Borella	-	-	0.62	-	1,137,120	1,087,680
Glennie Properties (Pvt) Ltd.						
No.82, Glennie Street, Colombo 02.	-	-	0.08	-	181,800	169,680
	11	326,800	12.40	-	27,906,950	25,659,367
PROPERTIES OUTSIDE COLOMBO						
Ceylon Cold Stores PLC.						
Kaduwela.	21	313,024	27.35	-	1,503,548	1,438,357
Trincomalee.	3	19,071	1.06	-	296,422	254,035
Facets (Pvt) Ltd.						
Ahungalla.	-	-	6.31	-	438,800	438,800
John Keells PLC.						
17/1, Temple Road, Ekala, Ja-Ela.	-	-	3.77	-	377,450	362,350
John Keells Properties Ja-Ela (Pvt) Ltd						
No 525, Colombo Road, Kapuwatta, Ja-Ela.	1	144,631	6.60	-	1,980,513	1,911,978
John Keells Warehousing (Pvt) Ltd.						
Muthurajawela.	3	126,743	-	6.19	351,168	346,110
Keells Food Products PLC.						
41, Temple Road, Ekala, Ja-Ela.	8	52,518	3.00	1.00	343,404	321,094
Gonawala,Pannala	4	41,166	3.86	4.08	341,992	244,592
Logipark International (Pvt) Ltd.						
Muthurajawela.	-	-	-	9.00	582,176	582,176
Rajawella Holdings Ltd.						
Mahaberiatenna, Kandy.	4	57,998	-	367.83	2,102,538	2,008,621
Tea Smallholder Factories PLC.						
Broadlands.	11	60,710	4.14	-	81,388	73,452
Halwitigala.	14	53,432	9.61	-	69,712	65,535
Hingalgoda.	26	65,994	12.03	-	104,573	89,424
Karawita.	12	79,244	-	4.98	123,923	121,366
Kurupanawa.	22	56,634	12.12	-	88,425	76,504
Neluwa.	18	49,552	3.74	-	80,331	72,268
New Panawenna.	8	44,566	10.59	-	57,675	55,693
Pasgoda.	-	-	-	-	-	75,000
Peliyagoda.	1	31,629	-	0.98	426,976	387,679
	156	1,196,912	104.17	396.32	9,351,013	8,925,034

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Leasehold	Net book value 2020 LKR '000s	2019 LKR '000s
PROPERTIES OUTSIDE COLOMBO						
The Colombo Ice Company (Pvt) Ltd.						
Awissawella	4	151,954	-	9.30	1,656,655	1,588,136
J K Thudella Properties (Pvt) Ltd.						
Tudella, Ja-Ela.	-	-	12.11	-	523,233	458,737
Union Assurance PLC.						
No 06, Rajapihilla Road, Kurunegala.	1	27,412	0.18	-	315,892	268,688
Whittall Boustead Ltd.						
150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	152,834	159,586
	162	1,380,621	116.92	403.36	11,999,627	11,400,181
HOTEL PROPERTIES						
Asian Hotels and Properties PLC.						
Cinnamon Grand Premises, Colombo 2.	4	734,932	8.03	-	25,198,868	28,277,278
Crescat Boulevard, Colombo 2.	1	145,196	1.39	-	6,266,355	2,597,398
Ahungalla Holiday Resort (Pvt) Ltd.						
Ahungalla.	-	-	6.51	-	289,900	289,900
Beruwala Holiday Resorts (Pvt) Ltd.						
Cinnamon Bey, Beruwala.	5	460,515	11.39	-	3,880,649	3,842,677
Ceylon Holiday Resorts Ltd.						
Bentota Beach Hotel, Bentota.	9	334,457	2.32	11.02	2,277,807	204,540
Fantasea World Investments (Pte) Ltd.						
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	163	236,730	-	18.90	7,686,489	1,081,068
Habarana Lodge Ltd.						
Cinnamon Lodge, Habarana.	79	202,999	-	25.48	731,855	769,883
Habarana Walk Inn Ltd.						
Chaaya Village, Habarana.	84	121,767	-	9.34	321,678	323,079
Hikkaduwa Holiday Resort (Pvt) Ltd.						
Chaaya Tranz, Hikkaduwa.	5	233,965	0.29	4.36	1,280,601	1,206,458
Kandy Walk Inn Ltd.						
Cinnamon Citadel, Kandy.	6	173,900	6.58	-	1,620,820	1,671,011
Nuwara Eliya Holiday Resort (Pvt) Ltd						
Nuwara Eliya.	-	-	2.66	-	276,900	272,640
Resort Hotels Ltd.						
Medway Estate, Nilaveli.	1	4,485	41.73	-	900,600	892,180
Trans Asia Hotels PLC.						
Cinnamon Lake Side, Colombo 2.	2	371,611	-	7.65	6,224,647	6,114,352
Tranquility (Pte) Ltd.						
Chaaya Island Dhonveli, Republic of Maldives.	146	261,327	-	17.16	14,614,995	10,751,188
Tranquility (Pte) Ltd.						
Velifushi, Republic of Maldives.	121	177,092	-	13.22	6,667,102	-
Travel Club (Pte) Ltd.						
Chaaya Reef Ellaidhoo, Republic of Maldives.	115	178,294	-	13.80	5,406,983	2,244,430
Trinco Holiday Resorts (Pvt) Ltd.						
Chaaya Blu, Trincomalee.	9	120,910	13.24	-	1,289,389	1,234,024
Trinco Walk Inn Ltd.						
Club Oceanic, Trincomalee.	-	-	14.15	-	369,200	282,082
Wirawila Walk Inn Ltd.						
Randunukelle Estate, Wirawila.	-	-	25.15	-	88,133	88,128
Yala Village (Pvt) Ltd.						
Cinnamon Wild, Tissamaharama.	76	113,509	-	11.25	488,440	488,207
	826	3,871,689	133.44	132.18	85,881,410	62,630,523
Improvements to Keells Super outlets on leased hold properties and lease rentals paid in advance	109	1,199,272	-	82.35	13,484,868	4,656,689
Consolidated Value of Land and Buildings, Right of Use Assets and investment property	1,108	6,778,382	262.76	617.89	139,272,855	104,346,760

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.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit attributable to equity holders of the parent adjusted for non-cash items minus share of profits of equity accounted investees plus dividends from equity accounted investees divided by the weighted average number of ordinary shares in issue during the period

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing as at the date of the Report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised and outstanding unexpired warrants.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the Report.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Group profits adjusted for non-cash gains items.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest expense and tax (includes other operating income). Note that EBIT includes interest income, fair value gains and losses on investment property, depreciation and amortization, and share of results of equity accounted investees.

EBITDA
Earnings before interest expense, tax, depreciation and amortisation. Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees.

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 plus short-term deposits, excluding short-term investments of 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 equity accounted investees.

PRICE EARNINGS RATIO
Market price per share (diluted) over diluted earnings per share.

PRICE TO BOOK RATIO
Market price per share (diluted) over net asset value per share.

PRICE TO CASH EARNINGS
Diluted market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus short-term investments plus receivables, divided by current liabilities.

RECURRING EBITDA/ RECURRING EBIT/ RECURRING PAT/RECURRING PAT TO EQUITY HOLDERS OF THE PARENT
Profit, as applicable, adjusted for the one-off impacts discussed under the Group Consolidated Review section of the Report: Page 38.

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 Organization for Standardization (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 lease liabilities and overdrafts.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

WORKING CAPITAL
Current assets minus current liabilities.

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

Scope and Approach

DNV GL represented by DNV GL Business Assurance Lanka (Private) Limited has been commissioned by the management of John Keells Holdings PLC ("JKH" or the "Company", Company Registration Number PQ14) to carry out an independent assurance engagement for the non-financial - qualitative and quantitative information, including sustainability performance, reported in JKH's Annual Report 2019 -2020 (the "Report") in its printed format for the financial year ending 31st March 2020. The sustainability disclosures in this Report are prepared by JKH considering the key requirements of the International Integrated Reporting Council's ("IIRC's") <IR> Framework ("<IR>") and in accordance with the Core option of reporting of the Global Reporting Initiative ("GRI") Sustainability Reporting Standards 2016 ("GRI Standards").

We performed our verification (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard 2008 (AA1000 AS) with 2018 Addendum, DNV GL's assurance methodology VeriSustainTM , which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000) Revised* and GRI's Principles for Defining Report Content and Quality. Our assurance engagement was planned and carried out during February 2020 – May 2020. The intended user of this assurance statement is the Management of JKH.

The reporting Topic Boundaries of sustainability performance are based on internal and external materiality assessment carried out by the Company and covers various business sectors of JKH. The Report does not include performance data and information related to the activities of non-operational entities, investment entities and companies holding only land, over which JKH does not exercise operational and management control. This is as set out in the Report in the section "Scope and Boundary". The reported data on economic performance, and other financial data are based on audited financial statements issued by the Company's statutory auditors.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and the process did not involve engagement with external stakeholders.

Responsibilities of the Management of JKH and of the Assurance Provider

The Management of JKH have the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report. In performing this assurance work, DNV GL's responsibility is to the Management; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

DNV GL provides a range of other services to JKH, none of which in our opinion, constitute a conflict of interest with this assurance work.

DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith and free from misstatements. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Basis of our Opinion

As part of the assurance a multi-disciplinary team of sustainability and assurance specialists performed work at JKH's Corporate Office, and we visited sample operations in Sri Lanka. We undertook the following activities:

- Review of JKH's approach to stakeholder engagement and materiality determination process and the outcome as presented in this Report. We did not have any direct engagement with external stakeholders;
- Interviews with selected senior managers responsible for management of sustainability issues and review of selected evidence to support issues disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver the Company's sustainability objectives;
- Site visits to sample operations of the Group: (i) Cinnamon Red and Cinnamon Bentota Beach – Bentota, (ii) Keells Food Products PLC – Pannala, (iii)John Keells Logistics Ltd Warehouse – Seeduwa and (iv) Keells Super, Keells Super Outlet – Kalalgoda and the office of JayKay Marketing Services Ltd, Colombo - to review processes and systems for preparing site level sustainability data and implementation of sustainability strategy. We were free to choose sites for conducting assessments;
- Review of supporting evidence for key claims and data presented in the Report;
- Review of the processes for gathering and consolidating the specified performance data related to identified material topics and, for a sample, checking the data consolidation in context to the Principle of Completeness as per DNV GL's VeriSustain.
- An independent assessment of JKH's reporting against the reporting requirements for the GRI Standards: Core option of reporting.

Opinion

On the basis of our work undertaken, nothing has come to our attention to suggest that the Report does not properly describe JKH's adherence to the Reporting Principles of the <IR> Framework and GRI Standards including the requirements of the Core option of reporting (GRI 102: General Disclosures 2016, GRI 103: Management Approach 2016) and disclosures related to the following GRI Standards which have been chosen by JKH to bring out its performance against its identified material topics:

INDEPENDENT ASSURANCE STATEMENT ON NON-FINANCIAL REPORTING

DNV·GL

- 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 302: Energy 2016 – 302-1, 302-4;
- GRI 303: Water and Effluents 2018 – 303-1, 303-2, 303-3, 303-4;
- GRI 304: Biodiversity 2016 - 304-1;
- GRI 305: Emissions 2016 – 305-1, 305-2;
- GRI 306: Effluents and Waste 2016 – 306-2, 306-3;
- GRI 307: Environmental Compliance 2016 – 307-1;
- GRI 308: Supplier Environmental Assessment 2016 – 308-1;
- GRI 401: Employment 2016 – 401-1;
- GRI 403: Occupational Health and Safety 2018 – 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9;
- GRI 404: Training and Education 2016 – 404-1, 404-3;
- GRI 405: Diversity and Equal Opportunity 2016 – 405-1;
- GRI 407: Freedom of association and collective bargaining 2016 – 407-1
- GRI 408: Child Labor 2016 – 408-1;
- GRI 409: Forced or Compulsory Labor 2016 – 409-1;
- GRI 413: Local Communities 2016 – 413-1;
- GRI 414: Supplier Social Assessment 2016 – 414-1;
- GRI 416: Customer Health and Safety 2016 - 416-1;
- GRI 417: Marketing and Labeling 2016 – 417-1, 417-3;
- GRI 419: Socioeconomic Compliance 2016 – 419-1.

Observations

Without affecting our assurance opinion, we also provide the following observations evaluating the Report's adherence to the AA1000AS principles:

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity

The Report articulates that the stakeholder engagement was carried out for key stakeholders on a sectoral and Group basis as a means of yielding a "sustainability index" by which the Group and its companies could measure the perceptions of its sustainability performance and progress on an ongoing basis. The Report also brings out the engagement frequencies and stakeholder expectations to be addressed on a regular basis by JKH to develop sustainability action plans based the inputs of these engagements.

Materiality

The process of determining the issues that is most relevant to an organization and its stakeholders.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality, or that JKH has missed out key material issues related to the Group.

The Report brings out JKH's continued focus on 11 material topics, recognised by both internal and external stakeholders, to drive performance, improve JKH's sustainability framework and institutionalise the Group's corporate governance philosophy at all levels. Further, the process and outcomes of materiality are based on the materiality principles of the GRI Standards and the <IR> framework. The key topics identified are significant to JKH's business and related stakeholders and helps JKH and its businesses to create value over the short, medium and long term from an overall sustainability perspective.

Responsiveness

The extent to which an organization responds to stakeholder issues.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

The Report brings out the key Environment, Social and Governance disclosures considering the GRI Standards, the <IR> Framework and other frameworks to which JKH subscribes i.e. general disclosure about JKH and its Business sectors including policies, strategies, management systems and governance mechanisms, management approach for identified material topics, business model and six capitals, key targets and objectives, and action plans for value creation. Further, the Report presents its GRI Content Index bringing out disclosures required to meet the GRI Standards: Core option of reporting.

Impact

The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact.

The Report describes how the various businesses of JKH identify their most material impacts and devise action plans to minimize any adverse impacts on stakeholders. Further, the Report describes how JKH monitors and measures the effects of its operations and value chain activities towards the goal of sustainable development.

The VeriSustain protocol is available on www.dnvgl.com
* Assurance Engagements other than Audits or Reviews of Historical Financial Information.

DNV·GL

Specific Evaluation of the Information on Sustainability Performance

We consider the methodology and the process for gathering information developed by JKH for its sustainability performance reporting to be appropriate, and both qualitative and quantitative data included in the Report was found to be identifiable and traceable; the personnel responsible were able to demonstrate the origin and interpretation of the data and its reliability. Nothing has come to our attention that the information provided to us was inconsistent, inaccurate and unreliable, or that the Report is not a faithful description of JKH's reported sustainability activities for the reporting period.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

JKH uses a software to capture and analyze data related to its sustainability performance for its material topics from all operational sites on a quarterly basis and performs regular internal audits. The majority of data and information verified at Corporate Office and at sampled sites visited were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and the errors have been identified, communicated and corrected.

Additional principles as per DNV GL VeriSustain

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported?

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness.

The Report brings out the key disclosure requirements of GRI Standards and the <IR> framework in terms of scope, boundary and time, and exclusions have been defined based on the significance and impact within the report.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

The disclosures within the Report, related to sustainability issues and performances are presented in a neutral tone, in terms of content and presentation along with key concerns and challenges faced during the period.

For DNV GL AS

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15th May 2020, Colombo, Sri Lanka.

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GROUP DIRECTORY

GRI 102-45

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
TRANSPORTATION	Ports and Shipping	Mackinnons Mackenzie & Co (Shipping) LTD	Shipping Agency representation & logistics services	1973 (PB 359)	4, Layden Bastian Road, Colombo 1 T. 2475423	J.R.Gunaratne, A.Z.Hashim, K.C.Subasinghe	LKR 5,000,000 100%
		Maersk Lanka (Pvt) Ltd.**	Shipping Agency representation & freight forwarding services	1992 (PV 2550)	Level 16, "Park Land" 33, Park Street, Colmbo 2 T. 0114794800	W.T.Ellawala, R.M.David, F.Dedenis, S.Bandara, Z.Muktha	LKR 10,000,000 30%
		South Asia Gateway Terminals (Pvt) LTD**	Ports & Shipping Services	1998 (PV 326)	Port of Colombo, P.O Box 141 Colombo 1 T. 24575509	K.N.J.Balendra-Chairman, J.G.A.Cooray, J.R.Gunaratne, S.Rajendra, K.C.Subasinghe, A.Z.Hashim, D.P.Gamlath, K.C.Chang, S.S.Jakobsen, J M Bevis, A.M.Garrett, A.Hewavitharana, T.J.Smith	LKR 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-Chairma A.Z. Hashim, S.P.Wall, N.N.B.Abdullah	LKR 20,000,020 50%
		John Keells Logistics (Pvt) Ltd.	Integrated supply chain management	2006 PV318	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475574	J.R.Gunaratne, A.Z.Hashim	LKR. 200,000,000 100%
		Logipark International (Pvt) Ltd.	Integrated Supply Chain Management	2018 (PV 201610)	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. T. 2475574	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR. 1,058,750,000 100%
		Mack International Freight (Pvt) Ltd	International freight forwarding and clearing & forwarding	1980 (PV 831)	No. 11, York Street, Colombo 1. T. 7671671	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR.130,000,000 100%
		Lanka Marine Services (Pvt) Ltd.	Importer & supplier of heavy marine fuel oils	1993 (PV 475)	4, Leyden Bastian Road, Colombo 1. T. 2475410-421	K.N.J.Balendra-Chairman, A.Z.Hashim	LKR. 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	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR. 90,000 100%
		Saffron Aviation (Pvt) Ltd	Domestic air line operations	2012 (PV 84728)	No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. T. 2475502	G.A.Cooray-Chairman, J.R.Gunaratne, A.Z.Hashim, B.A.B.Goonetilleke, K.Balasundaram, A.M.Omar, H.D.Abeywickrema	LKR. 622,179,000 40%
		Trans-ware Logistics (Pvt) Ltd.*	Renting of storage space	1994 (PV 3134)	No. 11, York Street, Colombo 1. T. 2475545/539	K.C.Subasinghe, A Z Hashim, N.N.Mawilmada	LKR. 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. 2475375/2475335	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR. 12,500,000 100%
		Mackinnons Travels (Pvt) Ltd.	IATA accredited travel agent and travel related services	1971 (PV 1261)	No. 186, Vauxhall Street, Colombo 2 T. 2318600	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR. 5,000,000 100%
		Mack Air Services Maldives (Pte) Ltd.*	General sales agents for airlines in the Maldives	2000 (C/I 35-2000)	4th Floor, STO Aifaanu Building, Boduthakurufaanu Magu, Male 20-05, Republic of Maldives T. +9603334708 - 09	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim, S.Hameed, A.Shihab	LKR. 677,892 49%
CONSUMER FOODS		Ceylon Cold Stores PLC.	Manufacture & Marketing of Beverages and frozen confectionery and the holding company of JayKay Marketing	1926 (PQ 4)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2318798	K.N.J.Balendra-Chairman, J,G,A,Cooray, D.P.Gamlath, M.Hamza, S.T.Ratwatte, R.S.W.Wijeratnam	LKR 918,200,000 81.36%
		The Colombo Ice Company	Manufacturing and Marketing of frozen confectionery	2016 (PV 113758)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02. T. 2306000	J.R.Gunaratne, D.P.Gamlath	LKR.1,700,000,000 81.36%
		John Keells Foods India (Pvt) Ltd.*	Marketing of Branded meat and convenience food products	2008 (U15122MH 2008 FTC 180902)	Luthra and Luthra Chartered Accountants A 16/9, Vasant Vihar, New Delhi -110057, India T. 0091 1142591823, 0091 1126148048, 26151853, 2614736 Fax: +91-11-2614 5222	J.R.Gunaratne, D.P.Gamlath	LKR.220,294,544 (INR 90,000,000) 88.63%

GRI 102-45

Sector	Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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	LKR.1,294,815,000 88.63%
RETAIL	JayKay Marketing Services (Pvt) Ltd.	Owns and Operates the "Keells" chain of supermarkets and "Nexus Mobile" loyalty card programme.	1980 (PV 33)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2316800	JGACooray-Chairman, JRGunaratne, K.C.Subasinghe	LKR.1,198,000,000 81.36%
RETAIL	John Keells Office Automation (Pvt) Ltd.	Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices	1992 (PV 127)	Corporate Office: 90 Union Place, Colombo 2 Technical Services:148, Vauxhall Street, Colombo 2 T. 2313000, 2431576, 2445760	J.R.Gunaratne, K.C.Subasinghe, D.P.Gamlath	LKR. 5,000,000 100%
LEISURE – Hotel Management	Cinnamon Hotel Management Ltd.	Operator & marketer of resort hotels	1974 (PB 7)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600, 2421101-8	J.R.Gunaratne, J.E.P.Kehelpannala, M.H.Singhawansa	LKR. 19,520,000 100%
LEISURE – Hotel Management	Cinnamon Hotel Management International (Pvt) Ltd.*	Operator & marketer of overseas hotels & resorts	2018 (PV 131788)	No.117 Chittampalam A Gardiner Mawatha, Colombo 02	J.R.Gunaratne, K.C.Subasinghe, J.E.P.Kehelpannala, M.H.Singhawansa	LKR. 500,000 100%
LEISURE – Hotel Management	John Keells Hotels PLC.*	Holding company of group resort hotel companies in Sri Lanka & Maldives	1979 (PQ 8)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600	K.N.J.Balendra–Chairman, J.G.A.Cooray, J.R.Gunaratne, J.E.P.Kehelpannala, M.H.Singhawansa, T.L.F.W.Jayasekera, A.K.Moonesinghe, Dr.K.Gunasekera	LKR.9,500,246,939 80%
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.Goonettileke-Chairman, S.Rajendra, J.R.Gunaratne, K.Balasundaram	LKR. 132,288,080 42.41%
LEISURE – City Hotels	Asian Hotels and Properties PLC - Cinnamon Grand.	Owner & operator of the five star city hotel "Cinnamon Grand"	1993 (PQ 2)	77, Galle Road, Colombo 3 T. 2437437 /2497206	K.N.J.Balendra-Chairman/ Managing Director, J.G.A.Cooray, J.R.Gunaratne, S.Rajendra, M.R.Svensson, C.J.L.Pinto, J.Durairatnam, A.S.De Zoysa	LKR.3,345,118,012 78.56%
LEISURE – City Hotels	Capitol Hotel Holdings Ltd.**	Developer of City Business Hotels	2012 (PB 5013)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	M.S.Weerasekera-Chairman, J.R.Gunaratne, W.R.K.Wannigama, D.A.Kannangara, M.D.R.Gunatilleke, L.C.H.Leow, A.J.Pathmarajah	LKR. 1,168,800,100 19.47%
LEISURE – City Hotels	Trans Asia Hotels PLC.	Owner & operator of the five star city hotel "Cinnamon Lakeside".	1981 (PQ 5)	No. 115, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2491000	K.N.J.Balendra-Chairman, J.G.A.Cooray, J.R.Gunaratne, M.R.Svensson, N.L.Goonaratne, C.J.L.Pinto, E.H.Wijenaike, J.C.Ponniah	LKR.1,112,879,750 82.74%
LEISURE – Resort Hotels - Sri Lanka	Ahungalla Holiday Resorts (Pvt) Ltd.*	Owner of real estate	2012 (PV 85046)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 133,490,000 80.32%
LEISURE – Resort Hotels - Sri Lanka	Beruwala Holiday Resorts (Pvt) Ltd.	Owner & operator of "Cinnamon Bey" in Beruwala	2009 (PV 69678)	Moragolla Beruwala T. 2306600, 034 2297000	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 2,338,150,000 79.78%
LEISURE – Resort Hotels - Sri Lanka	Ceylon Holiday Resorts Ltd-Bentota Beach Hotel.*	Owner & operator of "Bentota Beach by Cinnamon" in Bentota	1966 (PB 40)	Galle Road, Bentota T. 034 2275176 / 034 2275266	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.2,845,469,318 79.60%
LEISURE – Resort Hotels - Sri Lanka	Habarana Lodge Ltd.	Owner & operator of "Cinnamon Lodge" in Habarana	1978 (PB 38)	P.O Box 2, Habarana T. 066 2270011-2/ 066 2270072	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.341,555,262 78.99%

GROUP DIRECTORY

GRI 102-45

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
LEISURE	Resort Hotels - Sri Lanka	Habarana Walk Inn Ltd.	Owner & operator of "Habarana Village by Cinnamon" in Habarana	1973 (PB 33)	P.O Box 1, Habarana T. 066 2270046-7/ 066 2270077	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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, J.R.Gunaratne, K.C.Subasinghe	LKR.1,051,400,493 32.13%
		International Tourists and Hoteliers Ltd.*	Owner of real estate	1973 (PB 17)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306600, 2421101- 8	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 1,939,760,925 79.78%
		Kandy Walk Inn Ltd.	Owner & operator of "Cinnamon Citadel" in Kandy	1979 (PB 395)	No.124, Srimath Kuda Ratwatte Mawatha, Kandy T. 081 2234365-6/ 081 2237273-4	J R Gunaratne, K C Subasinghe, M H Singhawansa	LKR. 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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.35,701,762 80.32%
		Resort Hotels Ltd.*	Owner of real estate	1978 (PB 193)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306780, 2421101-8	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	K.N.J.Balendra-Deputy Chairman, J.R.Gunaratne, M.H.Singhawansa, J.A.Davis, M.A.Perera-Chairman	LKR.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	J.E.P.Kehelpannala-Managing Director, J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 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, J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J E P Kehelpannala-Managing Director, J R Gunaratne, K C Subasinghe, M H Singhawansa	LKR.552,519,608 80.32%
		Travel Club (Pte.)	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	J.E.P.Kehelpannala-Managing Director, J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR. 143,172,000 80.32%

GRI 102-45

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
LEISURE	Destination Management	Cinnamon Holidays (Pvt) Ltd.	Service providers of Inbound and outbound Tours	2015 (PV 101005)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	J.R.Gunaratne, K.C.Subasinghe, M.H.Singhawansa	LKR.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	J.R.Gunaratne, K.C.Subasinghe, K.O.Agrawal	LKR.6,492,000 98.35%
		Walkers Tours Ltd.	Inbound tour operators	1969 (PB 249)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02. T. 2306306	J.G.A.Cooray–Chairman, J.R.Gunaratne, I.N.Amaratunga	LKR. 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	J.R.Gunaratne, K.C.Subasinghe, I.N.Amaratunga	LKR. 250,410,000 100%
PROPERTY	Property Development	Asian Hotels and Properties PLC - Crescat. Boulevard, The Monarch, The Emperor.	Developer of 'Crescat Residencies', 'The Monarch' & 'The Emperor' Residential Towers Developer and manager of 'Crescat Boulevard ' shopping Mall	1993 (PQ 2)	No.89, Galle Road, Colombo 3 T. 0112152100	K.N.J.Balendra-(Chairman/ Managing Director), J.G.A.Cooray, J.R.Gunaratne, S.Rajendra, M.R.Svensson, C.J.L.Pinto, J.Durairatnam, A.S.De Zoysa	LKR. 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	S.Rajendra, J.R.Gunaratne, K.C.Subasinghe, N.N.Mawilmada, S.P.G.N Rajapakse	LKR.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, A.D.B.Talwatte, C.P.Palansuriya	LKR.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	Y.S.H.R.S.Silva-Chairman, K.N.J.Balendra, J.G.A.Cooray, S.Rajendra, N.N.Mawilmada, Y.S.H.I.K.Silva, A.D.B.Talwatte, C.P.Palansuriya	LKR. 3,636,900,000 50%
		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	LKR 163,861,400 100%
		J K Land (Pvt) Ltd.*	Investment Company for Property Sector	2012 (PV 84272)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada	LKR. 17,047,210,230 100%
		J K Thudella Properties (Pvt) Ltd.*	Owner of Real Estates	2018 (PV 129825)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, J.R.Gunaratne, N.N.Mawilmada,	LKR. 453,467,620 100%
		John Keells Properties Ja-Ela (Pvt) Ltd.	Developer & Manager of ' K-Zone Ja-Ela' Shopping Mall	2010 (PV 76068)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada	LKR.954,360,000 100%
		John Keells Residential Properties (Pvt) Ltd.	Developer of "On320" Residential Towers	2010 (PV 75050)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada	LKR. 925,200,000 100%
		John Keells Property Development (Pvt) Ltd.*	Property Development	2018 (PV 130036)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada	LKR. 1,054,056,800 100%
		Keells Realtors Ltd.*	Owner of Real Estates	1977 (PB 90)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada,	LKR.75,000,000 95.81%
		Mackinnons Keells Ltd.*	Rental of office spaces	1952 (PB 8)	No. 4, Layden Bastian Road, Colombo 1 T. 2152100	S.Rajendra, J.R.Gunaratne, N.N.Mawilmada	LKR.327,800,000 100%

GROUP DIRECTORY

GRI 102-45

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
PROPERTY	Property Development	Rajawella Holdings Ltd.	Operates an 18 hole, Donald Street Designed Golf Course in Digana	1991 (PB27)	P O Box 7, Rajawella, Kandy T. 0112152100	K.N.J.Balendra-Chairman, J.G.A.Cooray, S.Rajendra, N.N.Mawilmada, C.B.Thornton (Alt. C.J.Holloway), G.R.Bostock Kirk (Alt. E.C.Oxlade), S.E.Captain (R.S.Captain)	LKR 784,690,140 49.85%
		Vauxhall Land Developments (Pvt) Ltd.*	Owner of Real Estates	2017 (PV125587)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	K.N.J.Balendra-Chairman, J.G.A.Cooray, S.Rajendra, G.R.Chambers, N.H.G.S.Jayasinghe	LKR. 21,699,602,860 60.28%
		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	LKR.47,742,316,454 96.98%
		Whittall Boustead (Pvt) Ltd - Real Estate Division*	Renting of office space	1958 (PV 31)	No.186, Vauxhall Street, Colombo 02 T. 0112152100	S.Rajendra, K.C.Subasinghe, N.N.Mawilmada,	LKR.99,188,800 100%
FINANCIAL SERVICES		Fairfirst Insurance Ltd.**	General insurance underwriters	2014 (PB 5180)	No 33, St Micheal's Road, Colombo 03	R.Athappan-Chairman, C.Ratnaswami, A.S.Wijesinha, C.D.Wijegunawardene, S.Malhotra, S.Jha, J.P.Gomes	LKR.3,131,949,000 19.80%
		John Keells Stock Brokers (Pvt) Ltd.	Share broking services	1979 (PV 89)	No. 186, Vauxhall Street, Colombo 02 T. +94(0)11230 6250, +94(0)11234 2066 -7	J.R.Gunaratne, D.P.Gamlath, R.S.Cader	LKR. 57,750,000 90.04%
		Nations Trust Bank PLC.**	Commercial banking and leasing operations	1999 (PQ 118)	No. 242, Union Place, Colombo 2. T. 4313131	J.G.A.Cooray-Chairman, K.O.V.S.M.S.Wijesinghe, R.S.Cader, R.N.K.Fernando, D.P.De Silva, 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	LKR.9,408,134,000 29.90%
		Union Assurance PLC.	Providers for Life insurance solutions	1987 (PQ 12)	No.20, St. Michaels' Road, Colombo 03 T. 2990990	K.N.J.Balendra-Chairman, S.Rajendra, H.A.J.De Silva Wijeyeratne, D.H.Fernando, S.Appleyard	LKR.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, J.R.Gunaratne, R.Shanmuganathan	LKR. 96,500,000 100%
	IT Enabled Services	InfoMate (Pvt) Ltd.	IT enabled services	2005 (PV 921)	No.4, Leyden Bastian Road, Colombo 1 T. (94) 112149700	J.R.Gunaratne, R.Shanmuganathan	LKR.20,000,000 100%
		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	J.R.Gunaratne, K.C.Subasinghe, R.Shanmuganathan, K.Peerbocus, Z.H.Niamut	LKR.1,988,300,000 100%
		John Keells BPO International (Pvt) Ltd.*	Investment holding company	2007 (C 070137)	IFS Court, 28, Cybercity, Ebene, Mauritius T. (230) 467 3000	J.R.Gunaratne, K.C.Subasinghe, R.Shanmuganathan, K.Peerbocus, Z.H.Niamut	LKR.1,616,700,008 100%
		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	J.R.Gunaratne, K.C.Subasinghe, R.Shanmuganathan	LKR.335,797,260 100%

GRI 102-45

Sector		Company Name	Nature	Incorporated Year	Addresses	Directors	Stated Capital & Effective Holding
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, J.R.Gunaratne, A.K.Gunawardhana, C.N.Wijewardene, B.A.I.Rajakarier	LKR.152,000,000 86.90%
		John Keells (Teas) Ltd.	Manager eight bought leaf tea factories	1979 (PV 522)	No.117,Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306518	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR. 120,000 100%
		John Keells Warehousing (Pvt) Ltd.	Warehousing of Tea and Rubber	2001 (PV 638)	No.93,1st Avenue, Muturajawela, Hendala, Wattala T. 4819560	J.R.Gunaratne, K.C.Subasinghe, A.Z.Hashim	LKR.120,000,000 86.90%
		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, J.R.Gunaratne, E.H.Wijenaike, A.S.Jayatilleke, M.de Silva, S.K.L.Obeyesekere, A.K.Gunaratne	LKR.150,000,000 37.62%
	Centre & Others	Facets (Pvt) Ltd.*	Owner of real estate	1974 (PV1048)	No.117,Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	J.R.Gunaratne, D.P.Gamlath	LKR.150,000 100%
		J K Packaging (Pvt) Ltd.*	Printing and packaging services provider for the export market	1979 (PV 1265)	No 148, Vauxhall street, Colombo 02 T. 2475308	K.C.Subasinghe, J.R.Gunaratne, D.P.Gamlath	LKR.14,500,000 100%
		John Keells Holdings PLC.	Group holding company & function based services	1979 (PQ 14)	No.117, Sir Chittampalam A Gardiner Mawatha, Colombo 02 T. 2306000	K.N.J Balendra-Chairman, J.G.A.Cooray- Deputy Chairman, M.A.Omar, D.A.Cabraal, A.N.Fonseka, M.P.Perera, S.S.H Wijayasuriya	LKR.62,881,295,320 98.05%
		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	J.G.A.Cooray-Chairman, D.P.Gamlath	LKR. 1,991,600,000 100%
		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, J R Gunaratne, K C Subasinghe, D P Gamlath, R Ponnampalam	LKR.9,638,000 80%
		Keells Consultants (Pvt) Ltd.	Company secretarial services to the group	1974 (PB 3)	No.117, Chittampalam A Gardiner Mawatha, Colombo 02 T. 2421101-9	J.R.Gunaratne, N.W.Tambiah, I.V.Gunasekera	LKR.160,000 100%
		Mortlake (Pvt) Ltd.*	Investment company	1962 (PV 756)	No. 148, Vauxhall Street, Colombo 2 T. 2475308	J.R.Gunaratne, K.C.Subasinghe	LKR. 3,000 100%

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CORPORATE INFORMATION

Name of Company
John Keells Holdings PLC

Legal Form
Public Limited Liability Company
Incorporated in Sri Lanka in 1979
Ordinary Shares listed on the Colombo Stock Exchange
GDRs listed on the Luxembourg Stock Exchange

Company Registration No.
PQ 14

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

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Auditors
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Chartered Accountants
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Bankers for the Company
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G.
DFCC Bank
Habib Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
MCB Bank
Nations Trust Bank
NDB Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

Depository for GDRs
Citibank N.A. New York

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