RE-RATING

John Keells Group

John Keells Holdings PLC
Annual Report 2022/23

RE-RATING

The John Keells Group has been in business for 153 years, some of which have been periods of social and economic turmoil both here and overseas. Yet last year was possibly the toughest one that Sri Lankans have ever endured, involving unprecedented hardship and adversity. Today, while many challenges remain, the country has, possibly for the first time ever, put in place the fundamental framework of economic policies that will enable us to emerge from this crisis stronger than we were. We trust that if we have the resolve to stay the course, travelling the path of consolidation while restructuring for better stewardship and governance, Sri Lanka can move to a stronger, more sustainable model of growth and development, offering a brighter future for the country.

Throughout the chaos of the previous year, our company maintained its belief that challenges can also be catalysts for positive transformation. Together with our partners, we launched the biggest port investment in the country, while the steady progress of work on the Cinnamon Life project—notwithstanding the obstacles of last year—moved the Group closer towards completion of this transformational investment. Soon to launch, this will be the first such integrated resort in Sri Lanka and the largest private investment in the country to date, evidencing our commitment to nation-development, which remains strong. We continue to be guided by our vision to transform Sri Lanka through such landmark investments and today, that vision is fast becoming a reality, for we are excited to launch operations by the end of 2024.

Even major setbacks offer opportunities to grow as well as lessons to be learned. That is why, through all of the challenges we have encountered, we maintained a strong focus on the ESG framework that lies at the heart of all that we do, as we strive to operate a truly sustainable business that enriches people and communities while minimising our impact on the world we live in.

Today, we emerge from those difficult years content that we have been able to navigate the turbulence and still deliver commendable results while looking forward to the prospects for revival and the opportunities that lay ahead. As the economy rebounds, we too plan to build on the solid platform we have built, strong in the belief that both country and company are now ready for a significant upward 'Re-rating,' as we move confidently into a promising future.

John Keells Group

John Keells Holdings PLC

REPORTING UNIVERSE

In furtherance of the Group's comprehensive and integrated ESG reporting framework, the 2022/23 JKH Annual Report continues to be supplemented by various online publications and additional information, as outlined below.

	Frequency	Coverage	Stakeholders Concerned
FINANCIAL AND OPERATIONAL REPORTING			
2022/23 JKH Annual Report, which includes: • Chairperson's Message • External Environment • Financial and Manufactured Capital Review • Industry Group Reviews • Financial Statements and related Notes • Outlook • Strategy, Resource Allocation and Portfolio Management	Annual	Contains information relating to the Group's financial performance and position, both annually and quarterly. The information is also complemented through details of key operational indicators and justification of performance. Includes regulatory disclosures.	Primarily of interest to capital providers and regulators.
Investor Presentations/ Updates: ***https://keells.com/investor-relations***	Quarterly/Annual		
Recordings of the investor webinars: ***https://keells.com/investor-relations***	Quarterly/Annual		
Social media updates of key highlights through LinkedIn, Facebook and Instagram *https://lk.linkedin.com/company/john-keells-holdings* *https://www.facebook.com/johnkeells/* *https://www.instagram.com/lifeatjkh/?hl=en*	Routine		
ENVIRONMENTAL AND SOCIETAL REPORTING			
2022/23 JKH Annual Report, which includes: • Natural Capital Review • Human Capital Review • Social and Relationship Capital Review • Intellectual Capital Review • Sustainability Integration and Stakeholder Engagement	Annual	Covers how the Group uses its expertise to create positive economic, environmental and societal impacts. Also contains discussions on the impact that the Group has created.	Primarily of interest to investors, prospective and current employees, regulators, NGOs, customers and society.
Management Approach Disclosures under each form of Capital: ***https://keells.com/resource/Management_Approach_Disclosures_2022_23.pdf***	Annual		
Sustainability Integration and Stakeholder Integration Review: ***https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Sustainability-and-Materiality.pdf***	Annual		
Communication on progress for the UN Global Compact: ***https://www.keells.com/resource/governance/JKH-Communication-on-Progress-2022-23.pdf***	Annual		
Details of CSR activities through the CSR website: ***https://www.johnkeellsfoundation.com/***	Routine		
Details of the Group's Social Entrepreneurship Project aimed at reducing plastic pollution: ***https://plasticcycle.lk/***	Routine		
GOVERNANCE AND RISK MANAGEMENT REPORTING			
2022/23 JKH Annual Report, which includes: • Corporate Governance Commentary • Sustainability Integration, Stakeholder Engagement and Materiality • Risks, Opportunities and Internal Controls • Annual Report of the Board • Statement of Directors' Responsibility • Independent Auditors' Report	Annual	Contain information and disclosures relating to aspects linked to governance, including board matters, ethics, key risks, risk management, and director remuneration. Disclosures demonstrate the manner in which the Group operates; through sound governance practices, and the highest standards of ethics, integrity, transparency and accountability. Also entails the circulars to shareholders, notices of meeting and forms of proxies.	Primarily of interest to capital providers, customers, employees, regulators, suppliers and members of society.
Corporate Governance Framework: ***https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf***	Routine		
Risk, Opportunities and Internal Controls Review: ***https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Risk.pdf***	Annual		
Notice of meetings and related proxies: ***https://keells.com/investor-relations***	Routine		
Company's performance and disclosures for Transparency in Corporate Reporting 2022 (published by Transparency International Sri Lanka): ***https://www.tisrilanka.org/trac2022/***	Annual		

CONTENTS

INTRODUCTION TO THE REPORT

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

Our Integrated Report is the outcome of a group-wide reporting process. The process is governed by the Board, led by the Group Executive Committee, and delivered through group-wide collaboration. Our integrated-thinking approach to decision-making, management and reporting enables us to create and preserve value in the short, medium and long-term. 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.

This Report reflects on:

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

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

INTEGRATED THINKING AND OUR INTEGRATED REPORTING PROCESS

Integrated Reporting process:	Compiling	Validating	Approving
Related sub-processes:	01 Process of completing the Integrated Report 02 Standards and principles 03 Integrated Report and Reporting Principles	04 Information integrity verification and quality assurance	Sign-off by the Group Executive Committee Board Approval
Parties involved:	Board, Group Executive Committee, Integrated Reporting team	Board, Group Executive Committee, Internal Audit and External Auditors	Board, Group Executive Committee

01 Process of Completing the Integrated Report

The JKH Annual Report is prepared based on deliberations at a GEC and Board level, meeting minutes, decisions and approvals including frameworks as previously approved, as well as internal and external reporting information reflecting the Group's integrated thinking in line with the International <IR> Framework. A cross-functional team, led by the Deputy Chairperson/Group Finance Director and various industry group/sector representatives and subject matter experts across the Group, produce the content contained within this Report, with oversight from the GEC and the JKH Board of Directors. The GEC and Directors actively contribute to the content of the Report whilst being involved in the various approval processes. The Report is also supported by the oversight provided by independent assurance providers. Whilst the cross-functional team, who has delegated authority from the Board, ultimately sign-off for publication, the Board provides the final approval of the Report.

02 Standards and Principles

Reporting

- International <IR> Framework of the IIRC

Governance, Risk Management and Operations

- Laws and regulations of the Companies Act No. 7 of 2007
- Listing Rules of the Colombo Stock Exchange (CSE) and subsequent revisions to date
- Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including directives and circulars
- Code of Best Practice on Corporate Governance (2013) jointly advocated by SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
- Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka, to the extent of business exigency and as required by the Group
- Code of Best Practices on Related Party Transactions (2013) advocated by SEC

Financial Reporting

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

Sustainability Reporting

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

03 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.

Guiding Principles of the 2022/23 JKH Annual Report

Conciseness
Reliability and completeness
Consistency and comparability
Strategic focus and future orientation
Connectivity of information
Stakeholder relationships
Materiality

04 Information Verification and Quality Assurance

The Chairperson-CEO, Deputy Chairperson/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. As such, the Board ensures the integrity of the integrated report through the integrated reporting process, the various approvals and sign-offs by Group Executive Committee and the Board of Directors.

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 external assurance has been obtained for the non-financial statements in this report by an independent auditor confirming the accuracy of the report which has been prepared in accordance with the GRI standards 2021

SCOPE AND BOUNDARY

The John Keells Annual Report 2022/23 is a reflection of the Group's integrated approach of management during the period from 1 April 2022 to 31 March 2023. Material events post this reporting period, up to the sign off date by the Board of Directors on 23 May 2023, have been included in this Report, ensuring a more relevant and up-to-date Report.

85 legal entities of the John Keells Group create the financial reporting boundary of the Annual Report 2022/23, of which 46 companies are included in the Sustainability reporting scope. The remaining companies have been excluded from reporting as they are either a non-operational company/ investment company/ holding company or owner of real estate or if the Group does not exercise management control over the entity and this has been indicated against each company in the Group directory section of this report.

ENGAGEMENT OF SIGNIFICANT STAKEHOLDERS

The Group values input from its stakeholders and is committed to sharing its sustainability ambitions with the various stakeholder groups. Maintaining clearly set objectives based on the various goals and targets the Group has committed to in the short, medium and the long-term, and working towards fulfilling these objectives remain a key priority.

The Group's stakeholders have been identified as those who have significant influence over or who are significantly affected by the Group's operations. Numerous platforms have been established to facilitate continuous dialogue with the Group's stakeholders and the following table summarises the frequencies of engagement with significant stakeholders:

Stakeholder	Frequency					
	Annually	Bi-annually	Quarterly	Ongoing	Monthly	One-off
Customers	●	●	●	●		
Employees	●	●		●		
Community				●	●	●
Institutional investors, fund managers, analysts, multilateral lenders	●		●	●		
Government, Government institutions and departments			●	●		
Legal and regulatory bodies			●	●		
Business partners, principals, suppliers	●		●	●		
Society, media, pressure groups, NGOs, environmental groups				●		
Industry peers and competition			●			

A detailed write-up of stakeholder engagement can be found in the sustainability integration, stakeholder engagement and materiality section of this report.

CONTACT WITH STAKEHOLDERS

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

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

DETERMINING MATERIALITY

Materiality analysis is one of the key processes that the Group uses to define key triple bottom line issues that are of significance to the business and its internal and external stakeholders. Through this process, the Group identifies short, medium and long-term goals, processes and interventions aimed at addressing Group and stakeholder concerns. The Group arrives at this assessment through the results of an external stakeholder engagement survey that is conducted by an independent third party every three to four years.

INTRODUCTION TO THE REPORT

Additionally, materiality is also assessed internally in ascertaining the topics material to the Group and fine-tuning and streamlining its strategy and processes to manage these material issues. The outcomes of these studies are prioritised using a materiality matrix, representing their level of significance to the Group and its external stakeholders, and are then disclosed as per clearly defined topics under the GRI Standards.

Whilst the matrix, as illustrated, indicates the prioritisation of these material topics, the Group continues to assess its internal and external materiality on a routine basis and disclose the performance of such topics. Its reporting scope will be expanded as relevant.

During the year under review, the Group had not carried out a formal third party stakeholder engagement survey to identify the material topics for the organisation. Hence, the material topics identified from the study carried out in CY2018 was used to arrive at the material topics that the Group would be reporting on for 2022/23. The below process was followed to further validate the material topics for the reporting period.

- As the Group has zero tolerance for non-compliance to regulatory requirements, a check was carried out to determine any material topics stemming from new regulatory changes made during the reporting period.
- The results of the study were also compared against the Group's risk matrices to identify material topics.
- There are various grievance handling mechanisms in place at a sector as well as a Group level. Any critical grievances that were flagged at the Group level were also considered in arriving at the material topics.
- As best practice, the Group also reviewed external resources to understand and identify any topics that may need to be addressed to avoid potential negative publicity.

As an outcome of the above exercise, the following topics were deemed most material to the organisation during the period under review.

No.	Material Topic
1	Volatility and vulnerabilities in the macroeconomic environment impacting employees, consumers, communities and the supply chain
2	Economic performance
3	Skilled staff attrition due to increased local and global competition
4	Data security and customer privacy / information governance and security
5	Regulatory compliance
6	Business continuity and energy management - Local and global fuel shortages
7	Increasing prices of product and services, and price volatilities in the supply chain
8	Employee attraction, retention and skill resilience
9	Changes to taxation and levies

The complete list of material topics can be found in the sustainability integration, stakeholder engagement and materiality section of this report.

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. 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.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility of ensuring the integrity of this Integrated Report. In the Board's opinion, this Report addresses all the issues that are material to the Group's ability to create value and fairly presents the integrated performance of the John Keells Group. The Board is confident that the Report was prepared in accordance with the International <IR> Framework. This report was approved by the Board on 23 May 2023.

NAVIGATING THIS REPORT

This Annual Report is available on our website:

https://www.keells.com/resource/reports/annual-reports/John_Keells_Holdings_PLC_AR_2022_23_CSE.pdf

Reporting Guides

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

Capital Guides

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

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.

ABOUT US

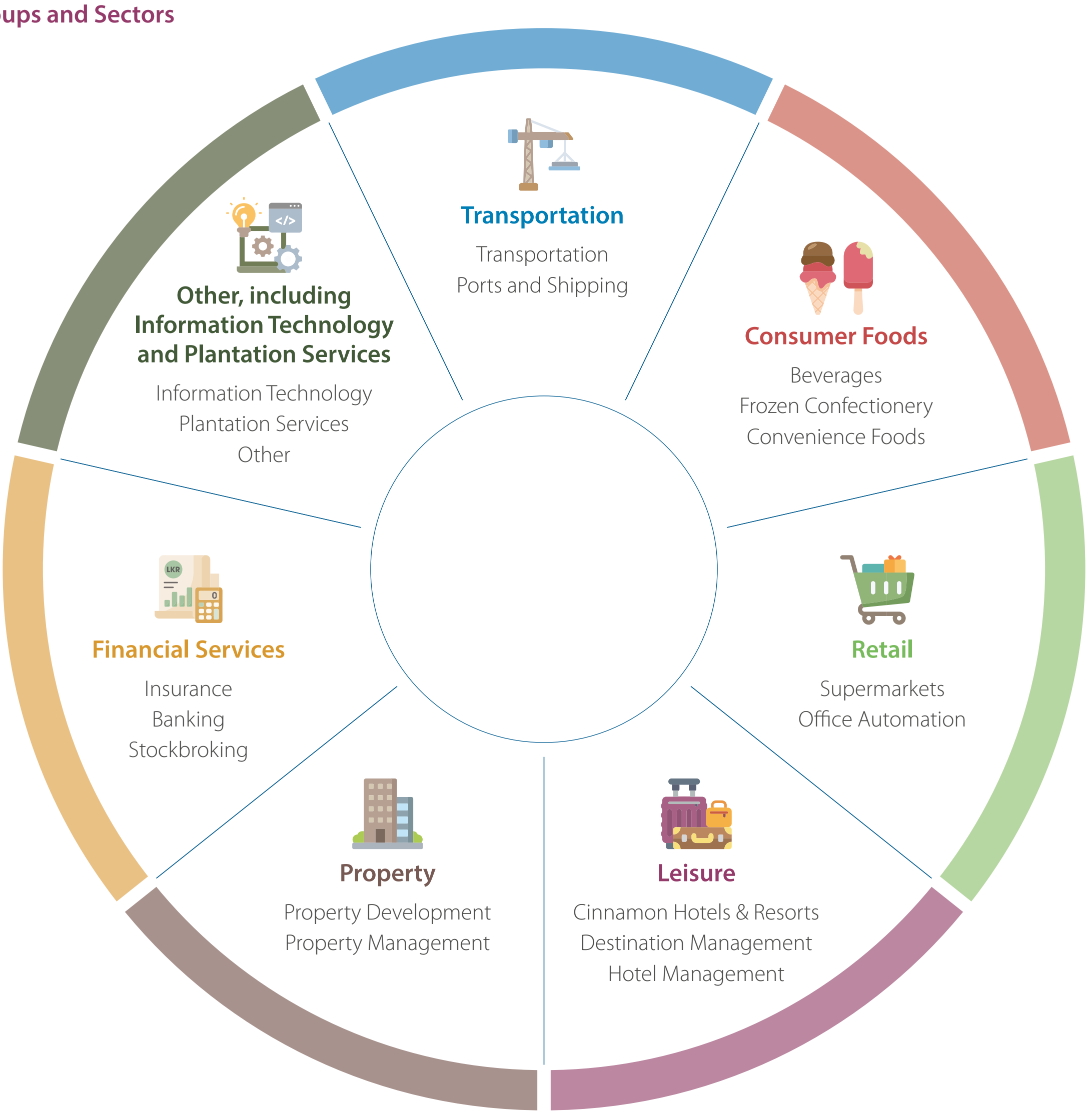
John Keells Holdings PLC (JKH) is one of the largest listed companies on the Colombo Stock Exchange, with business interests primarily in Transportation, Consumer Foods, Retail, Leisure, Property and Financial Services. Started in the early 1870s as a produce and exchange broking business by two Englishmen,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

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

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

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

Industry Groups and Sectors



CENTRE FUNCTIONS

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

OUR BUSINESS MODEL

Vision: Building businesses that are leaders in the region

Fundamental forms of Capital deployed | Value creation / preservation overtime

Value Creation Interventions and Returns

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

Processes and Frameworks

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

Industry Groups

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

Stakeholder returns and engagement

Values: | Caring | Excellence

Transformed Capital that produces stakeholder value

Alignment with SDGs	Outputs	Value Derived: Indicators as at 31 Mar 2023		Outcomes
	• Shareholder returns and dividends • Payments to other stakeholders • Share price appreciation	Rs.341 billion Shareholder funds Rs.745 billion Group assets	Rs.129 billion Net debt (cash) Rs.193.89 billion Market capitalisation	• Financial stability • Financial growth • Creation of wealth
	• Efficient disposal of all effluent and waste • Reduction of carbon footprint • Reduced resource consumption through better monitoring	0.38 MT Carbon footprint per Rs.million of revenue 46% Non-hazardous waste recycled/reused by Group companies and through third party contractors	7.00 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	69% Employee retention rate 249 Injuries	26 hours Average hours of training per employee 67 : 33 Male : Female staff ratio	• Alignment of workforce with Group vision • Profitable businesses through improved productivity and efficiency
	• Community skills development • Well informed and sound investment decisions • Better supplier/distributor and stakeholder relations	1,557,360 Number of persons impacted by community engagements	81% Proportion of purchases from suppliers within Sri Lanka	• Individuals and communities empowered with knowledge, skills and opportunities for a better future • Brand visibility and reputation • Strengthened supply chain • Adherence to UN SDGs
	• Patents • Copyrights	Rs.5.8 billion Value of intangible assets ▪ Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2022 ▪ LMD's Most Respected Entity ▪ LMD Top 100 Entities Awards and accolades		• Evolving businesses to suit the ever changing, dynamic consumer • An entity better prepared to face disruptive business models

Trust | Innovation | Integrity

CHAIRPERSON'S MESSAGE

Dear Stakeholder,

I am pleased to present the Integrated Annual Report and the Financial Statements for the financial year ended 31 March 2023.

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 macroeconomic crisis in the country and the way ahead for the Group.

The Group reported a strong performance during the year amidst the unprecedented challenges in the operating environment. Despite the significant earnings before interest expense, tax, depreciation and amortisation (EBITDA) recognition of Rs.6.30 billion from the handover of the residential apartment units and commercial floors at 'Cinnamon Life Integrated Resort' in 2021/22 compared with the absence of corresponding recognition in the current year, the recurring Group EBITDA increased by 17% over the previous year to Rs.45.74 billion, driven by the Transportation businesses, the significant turnaround in the Group's Leisure businesses and improved performance across other business verticals. Over the course of the year under review, Sri Lanka has witnessed a strong turnaround from the onset of its worst macroeconomic crisis, and it is encouraging to witness the continuation of normal day-to-day activities in the country, supported by continued political and social stability.

Whilst there were no pandemic related disruptions during the year, the Sri Lankan economy faced a multitude of unprecedented challenges, particularly during the first two quarters of the year under review. The financial year 2022/23 commenced with significant pressure on the Sri Lankan Rupee on the back of the free float of the currency in March 2022 due to the previously pegged exchange rate not being reflective of market rates and the significant tightening of the foreign exchange markets which had resulted in shortages of many essential commodities. Due to the precarious foreign currency reserves position and lack of liquidity in the foreign exchange markets, the Government of Sri Lanka declared a pre-emptive measure of suspending the servicing of almost all of its external debt obligations, including international sovereign bonds, bi-lateral loans and facilities guaranteed by the Government. The volatile environment and severe shortage of essential items were subsequently exacerbated by social unrest and political uncertainty, culminating in the resignation of both the Prime Minister and the President by July 2022. In addition, tourist arrivals to the country, which was witnessing an encouraging post-pandemic recovery, recorded a sharp slowdown due to multiple travel advisories issued and negative perceptions as a result of the socio-economic turmoil.

The appointment of a new President and the subsequent appointment of a Prime Minister and Cabinet resulted in political stability while many of the shortages of essential commodity items were largely resolved in a relatively short period of time, enabling a faster than anticipated resumption of normal activities. In September 2022, Sri Lanka reached a staff level agreement on an Extended Fund Facility (EFF) arrangement of USD 2.90 billion with the International Monetary Fund (IMF), subject to Sri Lanka meeting a series of conditions that included tightening its fiscal and monetary policy, restructuring its debt with its main international creditors and public sector reforms.

Further to this, the Government announced and implemented several significant policy actions and reforms, aimed towards achieving a path of fiscal consolidation and reaching sustainable debt levels. Significant increases in both direct and indirect tax rates were announced with the intention of increasing Government tax revenue to approximately 15% of gross domestic product by 2025 from the current 8.5%. Market reflective pricing mechanisms were established for fuel and cooking gas whilst multiple upward revisions to electricity tariffs were undertaken to reduce the cost of subsidies provided by the Government. A fuel rationing scheme was successfully implemented to ensure equitable and consistent distribution across the country which addressed the fuel shortage.

With the implementation of the various policy reforms and actions, the domestic economic environment, particularly, the foreign exchange liquidity position in the country experienced a strong turnaround from the peak stresses witnessed in the first two quarters of the year. The country has seen a continued deceleration in inflation, where rates have eased to ~35% in April 2023 from the peak of over ~70% over the past 12 months, as prices started to stabilise due to the high interest rate regime and other factors. Although inflation has decelerated, the elevated levels of inflation prevalent since the beginning of 2022/23 compared to the past, and the impact of higher direct and indirect taxes, have dampened consumer discretionary spend, the impact of which we are witnessing in our Consumer Foods and Supermarket businesses. The Central Bank of Sri Lanka (CBSL) expects inflation to reduce to a low single digit by the end of this calendar year aided by the continued tight monetary policy and favourable base effects together with the easing of global inflationary pressures and an appreciating currency. The improving trade balance in the country and substantial increases in tourism receipts and foreign currency remittances resulted in strong net inflows into the country from the fourth quarter of 2022/23 onwards. With the banking sector clearing many of the backlogs and liquidity imbalances stemming from the sharp depreciation of the Rupee in the first half of the year, the foreign currency liquidity position has reverted to normalcy, supported by lower imports and the suspension of the servicing of foreign currency debts. These impacts, together with the impending EFF announcement, at the time, resulted in the Sri Lankan Rupee witnessing an appreciation of approximately 10% in February 2023 which enabled the CBSL to remove some restrictions which were implemented in the market. With the significant turnaround in the foreign exchange market, together with other policy measures, the official reserves position has improved dramatically from that of 12 months ago, where the reserves have increased to USD 2.69 billion as at March 2023 from USD 1.81 billion in April 2022.

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

- The Group reported a resilient performance during the year, amidst the unprecedented challenges in the operating environment, recording a recurring EBITDA growth of 17% to Rs.45.74 billion. This is despite the substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at 'Cinnamon Life Integrated Resort' in 2021/22, compared to the absence of corresponding recognition in the current year.
- The growth in recurring Group EBITDA was mainly driven by the Transportation businesses, the significant turnaround in the Group's Leisure businesses and improved performance across other business verticals.
- Sri Lanka has witnessed a strong turnaround from the onset of its worst macroeconomic crisis, and it is encouraging to witness the continuation of normal day-to-day activities in the country, supported by continued political and social stability.
- The Group's Bunkering business recorded a significant increase in profitability driven by higher margins on account of the steep increase in fuel oil prices and volumes during the first half of the year, whilst the profitability of the Group's Ports and Shipping business recorded an increase as a result of higher revenue from ancillary operations and the translation impact due to the depreciation of the Rupee.
- The groundwork on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well with the entirety of the dredging works for both phases near complete.
- The Leisure industry group recorded a strong performance driven by the Maldivian Resorts and the recovery momentum in the Colombo Hotels and Sri Lankan Resorts segments, supported by a return to normalcy on the back of continued political and social stability during the second half of the financial year.
- The Supermarket business recorded a recurring EBITDA growth of 45% to Rs.7.46 billion due to an increase in same store sales driven by a combination of higher customer footfall and basket values on account of high inflation.
- Profitability in the Consumer Foods businesses was impacted by volume declines in the second half of the year, reflective of dampened consumer sentiments, and lower margins. With global raw material prices coming off its peak, the stabilisation of the country's foreign exchange liquidity position and the appreciation of the Rupee, the pressure on margins has started to gradually ease from the fourth quarter of 2022/23 onwards.
- The Property industry group recorded a decline in profitability due to 2021/22 including revenue and profit recognition from the handover of the residential apartment units at 'Cinnamon Life Integrated Resort', compared with the absence of any corresponding recognition in the current year. The recognition of revenue of all units sold at 'Cinnamon Life Integrated Resort' was completed by 31 March 2022.
- Subsequent to the gazetting of the gaming regulations by the Government in August 2022, the Group is currently engaged in discussions with leading international gaming operators to secure the necessary international gaming expertise to operate at 'Cinnamon Life Integrated Resort' with the Group leasing the space for such operations. Similar to the experience with integrated resorts in other Asian countries, 'Cinnamon Life Integrated Resort' has the potential to transform Colombo as a destination for leisure and entertainment and lead to significant foreign exchange earnings for the country.
- The Financial Services industry group recorded a strong growth in profitability, where the Insurance business witnessed a growth in the life insurance surplus and gross written premiums whilst Nations Trust Bank recorded an increase in net interest margins and a reduction in costs.
- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence, worked on a series of advanced analytics use cases in the Retail, Consumer Foods, Financial Services and Leisure industry groups which yielded promising results with pilot projects delivering evidence of the significant value that can be unlocked from translating advanced analytics insights into front line business interventions.
- Reflecting the positive results of the efficiency initiatives embarked upon, the Group's carbon footprint per million rupees of revenue decreased by 29% and water withdrawn per million rupees of revenue decreased by 31%.
- Initiatives under 'ONE JKH', the Diversity, Equity, and Inclusion (DE&I) brand of the John Keells Group, included the introduction of 100 days of Equal Parental Leave aimed at eliminating the discrimination associated with recruiting women, due to potential concerns about maternity leave.
- Cognisant of the multiple economic hardships faced by the people of the country, and in recognition of the Group's role as a leading responsible corporate citizen, the Group continued its multi-pronged crisis response programme with a particular focus in the areas of food security, education and nutrition among vulnerable segments such as school children.
- JKH donated Rs.100 million to the 'Suwa Seriya' Foundation for the operations of the 'Suwa Seriya Ambulance Service', which provides free-of-charge lifesaving emergency medical assistance to the public across the country. The donation aims to support the ambulance service, which was facing financial constraints, allowing the service to continue operations.

(Rs.'000)	Recurring EBITDA*			
	2022/23	2021/22	Variance	%
Transportation	11,963,136	6,140,923	5,822,213	95
Consumer Foods	3,184,139	3,484,778	(300,639)	(9)
Retail	8,778,841	7,549,338	1,229,503	16
Leisure	8,604,117	3,784,901	4,819,216	127
Property	(265,486)	7,867,199	(8,132,685)	(103)
Financial Services	6,451,249	5,023,608	1,427,641	28

**EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes all impacts from foreign currency exchange gains and losses (other than for equity accounted investees), to demonstrate the underlying cash operational performance of businesses.*

CHAIRPERSON'S MESSAGE

Sri Lanka received the much-anticipated approval from the Executive Board of the IMF for the EFF arrangement in March 2023 to support the restoration of macroeconomic stability and debt sustainability. In April 2023, Sri Lanka received the initial tranche of ~USD 333 million whilst Sri Lanka's creditor nations met in May 2023 to pursue debt structuring options that would provide a sustainable solution to Sri Lanka's debt repayment obligations, consistent with the parameters of the IMF programme. Sri Lanka is now faced with the challenging task of negotiating with the country's creditors to reach an equitable debt treatment plan with all creditors. There is still uncertainty as to the need for a domestic debt restructuring (DDR) and, even if so, the form, structure and breadth of the same. The Governor of the Central Bank of Sri Lanka has assured the stability of the domestic banking system as well as the protection of public deposits will be paramount in any kind of debt optimisation programme. The risk premia currently attached to domestic debt as a result of this uncertainty should fall away once there is clarity on the DDR with expectations that interest rates will ease significantly thereafter.

Sri Lanka recorded over 770,000 tourist arrivals for 2022/23, with March 2023 recording the highest number of arrivals since the peak of the economic crisis. Although arrivals are still significantly below pre-pandemic levels, it is encouraging to witness the month-on-month pick-up in inquiries and forward bookings. The Group is confident that the current recovery trend in arrivals will continue, particularly given the opening of the Chinese borders for international travel after a period of three years and the increase in frequencies of flights by a few major airlines. Tourism will be a key catalyst to drive the recovery of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings. In light of this, we continue to urge the tourism authorities to expedite the launch of Sri Lanka's much awaited global marketing campaign, especially in our key source markets, particularly to address the lack of awareness and negative perception regarding the ground situation in the country.

We wish to commend and recognise the efforts of the Government and policy-makers for successfully navigating the economic stabilisation measures over the last few quarters and in reaching some key milestones including securing the EFF with the IMF, together with the implementation of difficult policy actions. While many challenges remain, the country has, possibly for the first time ever, put in place the fundamental framework of economic policies that will enable us to emerge from this crisis stronger. We are optimistic that Sri Lanka is on a path to recovery, particularly, if these measures continue to be in place and sustained over a period of time. Whilst these measures, as expected, would curtail consumer spend and activity in the short to medium-term, the stability and confidence in achieving fiscal consolidation will lead to a more sustained recovery. The new legislative enactments regarding fiscal responsibility are much needed to ensure policy consistency and macroeconomic stability as it provides the required checks and balances. We urge the authorities to expedite the implementation of much needed public sector reforms, including privatisation, as done by countries when faced with similar challenges in the past, to restore and sustain fiscal discipline. These reforms will also aid the Government in raising revenue through investment while ensuring better collaboration, technology and knowledge transfer in key industries.

Through the volatility and uncertainty of the previous years, your company maintained its belief that challenges can also be catalysts for positive transformation. Together with our partners, we launched the biggest port investment in the country, while the steady progress of work on 'Cinnamon Life Integrated Resort' – notwithstanding the obstacles of last year – has moved the Group closer towards completion of this transformational investment. I am confident that as these investments come to fruition, your Group will see a significant upward 're-rating' of its performance from the already strong platform we have built over the years.

While many challenges remain, the country has, possibly for the first time ever, put in place the fundamental framework of economic policies that will enable us to emerge from this crisis stronger. We are optimistic that Sri Lanka is on a path to recovery, particularly, if these measures continue to be in place and sustained over a period of time.

GROUP PERFORMANCE

For the financial year 2022/23, Group revenue (excluding equity accounted investees) increased by 27% to Rs.276.64 billion while recurring Group EBITDA increased by 17% to Rs.45.74 billion. This growth is despite the significant EBITDA contribution of Rs.6.30 billion from the Group's Property business, which included the revenue and profit recognition from the handover of the residential apartments and commercial office floors at 'Cinnamon Life Integrated Resort', compared with the absence of any corresponding revenue recognition in the current year.

The recurring Group profit before tax (PBT) decreased by 30% to Rs.17.14 billion while the recurring profit attributable to equity holders of the parent decreased by 35% to Rs.13.33 billion for the financial year ended 31 March 2023. In addition to the aforementioned decline in the Property industry group, the decline in PBT is on account of the higher finance expenses due to the significant increase in interest rates in the market which affected the Leisure and Retail industry groups, in particular, given the relatively higher working capital and debt facilities. The increase in working capital in Retail was temporary on account of the investments to ensure the continuation of supplies and minimise disruptions, which has now stabilised with the business reverting to normalised levels of working capital. Further, the PBT of the Holding Company was impacted by the translation impact of the IFC loan interest payment and the notional non-cash interest charged on the convertible debentures issued to HWIC Asia Fund (HWIC) in August 2022, in line with the accounting treatment, due to a significant difference between the market interest rates and the 3% interest accrued on the instrument.

The recurring EBITDA analysis below is post the elimination of one-off impacts in order to demonstrate the performance of the core operations of the businesses. The recurring adjustments are detailed in the ensuing section, where relevant, of this Message and the Financial and Manufactured Capital Review section of the Report. As the Annual Report contains discussions on the macroeconomic factors and its impact on our businesses as well as a detailed discussion and analysis of each of the industry groups, I will focus on a high-level summation of the performance of each industry group during the financial year 2022/23.

ISSUE OF UNLISTED CONVERTIBLE DEBENTURES

As announced to the Colombo Stock Exchange in August 2022, the Company received the funds and concluded the issuance of convertible debentures amounting to Rs.27.06 billion, by way of a private placement of Rupee denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada. 208,125,000 Sri Lankan Rupee denominated unrated, unlisted, unsecured convertible debentures were issued to HWIC at an issue price of Rs.130 per debenture. The debentures have a maturity period of three years and will accrue interest at a rate of 3% per annum. The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period commencing from 12 February 2024 to 12 August 2025.

TRANSPORTATION

Revenue incl. Associates	Rs.**94.28** billion 2021/22: Rs.43.82 billion	115%
Recurring EBITDA	Rs.**11.96** billion 2021/22: Rs.6.14 billion	95%
Recurring PBT	Rs.**10.97** billion 2021/22: Rs.5.71 billion	92%
Recurring PAT	Rs.**10.49** billion 2021/22: Rs.5.43 billion	93%

The groundwork on the West Container Terminal at the Port of Colombo is progressing well with the entirety of the dredging works for both phases near complete. Overall timelines for the project remain as originally envisaged.

TRANSPORTATION

The Transportation industry group recurring EBITDA of Rs.11.96 billion in 2022/23 is an increase of 95% over the recurring EBITDA of the previous financial year [2021/22: Rs.6.14 billion]. The recurring EBITDA for 2022/23 includes a one-off deferred tax charge of Rs.1.35 billion in the Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT), on account of the significant change in income tax rates, as the share of results of equity accounted investees are consolidated net of all related taxes.

The increase in profitability is mainly attributable to the strong performance of the Group's Bunkering business, Lanka Marine Services (LMS), and SAGT. LMS recorded a significant increase in profitability driven by higher margins on account of the steep increase in global fuel oil prices during the first half of the year, as well as higher volumes for the year supported by local fuel sales. LMS continued to retain its market leadership position in the Sri Lankan bunker market. Despite the decline in overall volumes at the Port of Colombo, the profitability at SAGT recorded an increase as a result of higher revenue from ancillary operations and the benefit of the steep depreciation of the Rupee.

In May 2022, the Government of Sri Lanka granted approval for licensed bunkering businesses to import and supply fuel oil to local industries to ensure continuity of operations in light of the fuel shortages in the country and ease the burden on Government supplies. LMS also provided fuel to such local industries which helped them navigate supply issues while these sales incrementally supported the overall volumes at LMS.

The groundwork on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well with the entirety of the dredging works for both phases near complete. The contract for the quay wall construction, a significant component of the overall construction works, was awarded in October 2022. Overall timelines for the project remain as originally envisaged. The WCT-1, which has a lease period of 35 years, is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 800 meters as against the previous 600 meters, is slated to be operational by the third quarter of 2024/25. The extension of the quay length in Phase 1 facilitates the servicing of two large vessels concurrently, which will enable a higher throughput once Phase 1 is operational. The remainder of the terminal is expected to be completed by the third quarter of 2025/26.

CONSUMER FOODS

The Consumer Foods industry group recurring EBITDA of Rs.3.18 billion in 2022/23 is a decrease of 9% over the recurring EBITDA of the previous financial year [2021/22: Rs.3.48 billion].

Despite the macroeconomic disruptions, the Consumer Foods businesses recorded a strong volume recovery momentum in the first half of the year, with volumes exceeding pre-pandemic levels. However, the performance in the second half of the year was negatively impacted by a decline in volumes and margin contraction across the businesses as the impact of elevated inflation, price increases and dampening consumer demand took effect.

Given the increases in raw material prices, which was largely a global phenomenon, coupled with the impact of the steep depreciation of the Rupee and the high inflationary environment, the business undertook price increases across its portfolio to mitigate the margin pressure. The price increases, together with higher direct and indirect taxes and declining consumer disposable income, dampened demand, thereby impacting volumes in the second half of the year. It should be noted that volumes in the third quarter of the previous year benefited to an extent from the stocking up of inventory post the easing of pandemic related restrictions. Whilst the domestic macroeconomic and supply chain conditions recorded substantial improvements during the second half of the year under review and day-to-day business activity reverted to levels of normalcy, consumer demand began to subdue on account of the reasons outlined above. However, it is encouraging to note that the volumes of the Beverages business witnessed a pick-up in the month of April 2023, although it is too early to ascertain whether this trend would continue.

With global raw material prices coming off its peak, together with declining freight costs, the stabilisation of the country's foreign exchange liquidity position, the appreciation of the Rupee and the improved raw material availability, the pressure on margins has started to gradually ease from the fourth quarter of 2022/23 onwards. In addition, the inventory sourced at higher costs is now largely depleted, whilst the gradual reduction in interest rates and normalised level of working capital will further support the profitability of the businesses. While margins at a product level are expected to recover, the impact of the lower dilution of fixed costs due to reduced operating leverage on account of volume declines is yet to be fully seen.

With global raw material prices coming off its peak, together with declining freight costs, the stabilisation of the country's foreign exchange liquidity position, the appreciation of the Rupee and the improved raw material availability, the pressure on margins has started to gradually ease from the fourth quarter of 2022/23 onwards.

CONSUMER FOODS

Revenue	Rs.**31.27** billion 2021/22: Rs.21.01 billion	▲ 49%
Recurring EBITDA	Rs.**3.18** billion 2021/22: Rs.3.48 billion	▼ 9%
Recurring PBT	Rs.**1.14** billion 2021/22: Rs.2.32 billion	▼ 51%
Recurring PAT	Rs.**2.23** billion 2021/22: Rs.1.90 billion	▲ 18%

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

RETAIL

The Retail industry group recurring EBITDA of Rs.8.78 billion in 2022/23 is an increase of 16% over the recurring EBITDA of the previous financial year [2021/22: Rs.7.55 billion]. The Supermarket business recurring EBITDA of Rs.7.46 billion in 2022/23 is an increase of 45% against the previous financial year [2021/22: Rs.5.20 billion].

Despite the challenging operating environment, the Supermarket business recorded a strong performance with same store sales recording encouraging growth driven by a combination of higher customer footfall and basket values due to high inflation. The sustained increase in footfall is encouraging as it demonstrates the continued potential for higher penetration of certain customer segments. The revenue of the Supermarket business was supported by the substantial price increases driven by suppliers, although growth in basket values were offset to some extent by a reduction in the items purchased due to subdued consumer sentiment. However, margins remain under pressure given the significant cost escalations in operations primarily due to the increase in electricity tariffs and, to a lesser extent, staff costs. The introduction of the social security contribution levy (SSCL), which is a revenue based tax similar to the nation building tax in force a few years ago, had a further significant impact on the margins of the business. The business managed to re-negotiate margins with suppliers and mitigate this impact to a large extent. The business will continue to place emphasis on cost optimisation and working capital management. The performance of the Supermarket business remained insulated, to a large extent, despite the macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket.

Given the notable shortages in essential goods and other fast-moving items in the first half of the year, the business proactively ramped up its direct sourcing strategy with the aim of bridging gaps and, more importantly, providing its customers with such products at the best possible value. This has also helped drive footfall to our outlets. Whilst the Supermarket business has increased penetration of its private label range, this focus was augmented with the intention of managing inventory better and also providing its customers with better choice and 'value for money'. The state-of-the-art distribution centre commissioned in 2021/22, where the entire dry product and fresh range was centralised together with other best in class practices being adopted, was pivotal in managing the supply chain disruptions and ensuring the outlets were supplied in the most optimum and efficient manner.

During the year under review, the expansion of the outlet network was moderated due to the uncertainty and volatility of construction related costs. While the investment per outlet has increased significantly, the business is also seeing higher revenue per outlet which will in turn positively impact the feasibility studies of prospective outlets. During the year, four new outlets were opened whilst one outlet was closed, increasing the total outlet count to 131 outlets as of 31 March 2023. The business will continue to selectively expand its network, and such expansions in the outlet base will be considered on a case-by-case basis, with feasibilities stress-tested under sensitised scenarios.

In line with the brand expansion plans of the Supermarket business, where the business leverages on a standard and an extended format depending on the income levels of the locality, three outlets were upgraded to the extended 'iconic' format during the year under review. This concept for select 'Keells' outlets, is aimed at enhancing the overall customer experience through best-in-class retail technological solutions and a wider offering. Despite the additional investment associated with the conversion of the standard format outlets to the extended format, the payback on these investments based on incremental performance has been attractive.

The Office Automation business recorded a significant reduction in sales volume due to the continued import restrictions on non-essential items, which was further exacerbated by the steep increase in unit prices of all imported products as a result of the depreciation of the Rupee. The performance of the Office Automation business is witnessing a gradual recovery as the foreign currency liquidity position of the country has stabilised.

RETAIL	
Revenue Rs.106.85 billion 2021/22: Rs.90.84 billion	▲ 18%
Recurring EBITDA Rs.8.78 billion 2021/22: Rs.7.55 billion	▲ 16%
Recurring PBT Rs.1.53 billion 2021/22: Rs.3.06 billion	▼ 50%
Recurring PAT Rs.2.44 billion 2021/22: Rs.2.18 billion	▲ 12%

The Group is confident that the current recovery trend in arrivals will continue, particularly given the opening of the Chinese borders for international travel after a period of three years and the increase in frequencies of flights by a few major airlines.

LEISURE	
Revenue incl. Associates Rs.39.86 billion 2021/22: Rs.18.96 billion	▲ 110%
Recurring EBITDA Rs.8.60 billion 2021/22: Rs.3.78 billion	▲ 127%
Recurring PBT Rs.(382) million 2021/22: Rs.(1.51) billion	▲ 75%
Recurring PAT Rs.(614) million 2021/22: Rs.(1.53) billion	▲ 60%

The Group is currently engaged in discussions with some leading international gaming operators to secure the necessary international gaming expertise to operate at 'Cinnamon Life Integrated Resort'.

LEISURE

The Leisure industry group recurring EBITDA of Rs.8.60 billion in 2022/23 is an increase of 127% against the recurring EBITDA of the previous financial year [2021/22: Rs.3.78 billion]. The recurring EBITDA for 2022/23 includes an impairment loss amounting to Rs.422 million at the Destination Management business, Whittall Boustead Travel Limited, on its investment in preference shares of Saffron Aviation (Private) Limited (SAL), the operating company of 'Cinnamon Air', given the continued multiple setbacks faced by the tourism industry in the recent years which impacted the operating performance of the business.

The strong performance was driven by the Maldivian Resorts and the recovery momentum in the Colombo Hotels and Sri Lankan Resorts segments, supported by return to normalcy on the back of continued political and social stability during the second half of the financial year. The PBT of the industry group was impacted by higher finance expenses due to the significant increase in interest rates on working capital facilities obtained.

The Maldivian Resorts segment continued its strong performance with occupancies averaging over 90%, supported by arrivals from both traditional and new source markets.

The Colombo Hotels recorded a strong performance in its restaurant and banqueting operations. Occupancies of the Colombo Hotels improved on the back of a gradual recovery in business travel. Whilst the first half of the year was subdued due to the fuel restrictions and social instability witnessed in the country, the Sri Lankan Resorts segment witnessed a rebound in occupancies during the second half of the year driven by domestic travel and improved tourist arrivals. Margins in the Sri Lankan Leisure businesses were under pressure given the rising input and utility costs as yields did not pick up commensurately since the benefit of foreign currency revenue was limited due to the gradual recovery of tourism.

Sri Lanka recorded over 770,000 tourist arrivals for 2022/23, with March 2023 recording the highest number of arrivals since the peak of the economic crisis. Although arrivals are still significantly below pre-pandemic levels, it is encouraging to witness the pick-up in inquiries and forward bookings. The Group is confident that the current recovery trend in arrivals will continue, particularly given the opening of the Chinese borders for international travel after a period of three years and the increase in frequencies of flights by a few major airlines.

While the current situation on the ground has reverted to normal, the negative perception and lack of awareness, especially in our key source markets, has been a challenge in accelerating the recovery momentum in tourist arrivals. In light of this, we urge the tourism authorities to expedite the launch of Sri Lanka's much awaited global marketing campaign. Sri Lanka continues to remain attractive as a tourist destination given our diverse landscape and unique offerings, with the added competitive advantage from a pricing perspective due to the significant depreciation of the Rupee.

Cinnamon Life Integrated Resort

The construction work at 'Cinnamon Life Integrated Resort' is progressing well, where the hotel, retail and entertainment components are in the final stages of construction. The fitouts and interior works of the hotel rooms and common areas are well underway with ~500 rooms already completed. Discussions with potential tenants of the retail mall continued during the year, to ensure unique attractions and offerings, although arrangements were not finalised pending clarity on the gaming operator and related strategy. Various alternatives including experiential offerings focused on food and beverages, lifestyle and entertainment, which would complement the hotel and gaming operations, are being considered for the retail space. With the project now reaching its final stretch, we are excited and pleased to announce that 'Cinnamon Life Integrated Resort' was formally launched at the Arabian Travel Market 2023 held in May with significant awareness and interest being generated.

Subsequent to the gazetting of the gaming regulations by the Government in August 2022, the Group is currently engaged in discussions with some leading international gaming operators to secure the necessary international gaming expertise to operate at 'Cinnamon Life Integrated Resort'. A lot of groundwork has been carried out by the parties, including detailed site visits, evaluation of the business case and operating model, fit-out requirements, designs and timelines. The discussions are progressing well, where various commercial structures and arrangements are being negotiated. In the event 'Cinnamon Life Integrated Resort' is unable to obtain favourable terms to our satisfaction, as an alternative, we will work on a model where the gaming entity sources the requisite international gaming expertise to operate at 'Cinnamon Life Integrated Resort', similar to how some other successful regional integrated resorts have established operations.

PROPERTY

Revenue incl. Associates	Rs.**4.58** billion 2021/22: Rs.41.48 billion	89%
Recurring EBITDA	Rs.**(265)** million 2021/22: Rs.7.87 billion	103%
Recurring PBT	Rs.**(503)** million 2021/22: Rs.7.65 billion	107%
Recurring PAT	Rs.**(580)** million 2021/22: Rs.7.51 billion	108%

The construction activity at the 'TRI-ZEN' residential development project is continuing with encouraging momentum. The mechanical, electrical and plumbing work and fit-outs at 'TRI-ZEN' are well underway, with the overall project scheduled for completion in end-2023.

FINANCIAL SERVICES

Revenue incl. Associates	Rs.**27.77** billion 2021/22: Rs.24.15 billion	15%
Recurring EBITDA	Rs.**6.45** billion 2021/22: Rs.5.02 billion	28%
Recurring PBT	Rs.**6.40** billion 2021/22: Rs.4.99 billion	28%
Recurring PAT	Rs.**5.32** billion 2021/22: Rs.4.31 billion	23%

UA recorded encouraging growth in gross written premiums, driven by renewal premiums, with UA maintaining its position as the second largest regular new business producer in the industry.

The envisaged structure of the gaming operations is that 'Cinnamon Life Integrated Resort' will lease space to the gaming entity, while a third party will invest in the gaming fit-out. Based on discussions, it is estimated that the overall fitout of the gaming space will take a period of approximately 12-15 months once the commercial aspects and agreements are finalised. We are confident that the convergence of all elements in the launch of the integrated resort will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

PROPERTY

The Property industry group recurring EBITDA of negative Rs.265 million in 2022/23 is a decrease against the previous financial year [2021/22: Rs.7.87 billion]. The previous year included a substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at 'Cinnamon Life Integrated Resort', compared to the absence of corresponding recognition in the current year. The recognition of revenue of all units sold at 'Cinnamon Life Integrated Resort' was completed by 31 March 2022, and an inventory of 161 units remains to be sold. The introduction of value added tax (VAT) of 15% on the sale of residential apartments and a SSCL of 2.5%, both of which are on revenue, further suppressed demand.

Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in end 2024, the review and reporting of the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group. The property development components of the project, namely, the two residential apartment towers and the commercial tower continue to be recorded under the Property industry group. The residential sales at 'Cinnamon Life Integrated Resort' were slow due to the macroeconomic challenges, where the slowdown in sales is more pronounced in the luxury segment in the market.

In discussion with the contractor at 'TRI-ZEN', the project construction costs were revisited given the escalation in costs on account of the steep depreciation of the Rupee and global commodity and freight cost increases, particularly to realign work to meet timely completion. As the cost escalation impact is allocated to the profit recognition on the project, there was an adjustment in the current year to reflect the cost impact on the sales already recognised in the previous financial years, which affected the current year profitability somewhat materially. Since this adjustment has been fully absorbed in the current financial year, going forward, the revenue recognition of 'TRI-ZEN' will result in positive profit recognition over the ensuing quarters up to and including project completion. The construction activity at the 'TRI-ZEN' residential development project is continuing with encouraging momentum. The mechanical, electrical and plumbing work and fit-outs at 'TRI-ZEN' are well underway, with the overall project scheduled for completion in end-2023. The current high interest rate regime has resulted in a slowdown in sales, although we expect that 'TRI-ZEN's positioning as an affordable living solution with a Rupee pricing model, which mitigates the risk of fluctuating exchange rates for buyers, offers a strong value proposition.

FINANCIAL SERVICES

The Financial Services industry group recurring EBITDA of Rs.6.45 billion in 2022/23 is an increase of 28% over the recurring EBITDA of the previous financial year [2021/22: Rs.5.02 billion]. The strong growth in profitability was driven by both Union Assurance PLC (UA) and Nations Trust Bank PLC (NTB).

UA recorded encouraging growth in gross written premiums, driven by renewal premiums, with UA maintaining its position as the second largest regular new business producer in the industry. Net investment income recorded growth as a result of an asset reallocation which benefited from the high interest rate environment which prevailed during the year. The business continued to strengthen its partnerships with multiple leading banks, consolidating its position as the market leader in the bancassurance industry in the country through two new partnerships and renewing an existing partnership during the year. UA recorded an annual life insurance surplus of Rs.2.30 billion in 2022/23, a notable increase against the surplus of Rs.1.60 billion recorded in the previous year, mainly arising from an increase in GWP, increase in net investment income and management of expenses.

Nations Trust Bank PLC (NTB) recorded an increase in profitability driven by an increase in net interest margins due to the timely re-pricing of assets which comprised primarily of a short-duration lending portfolio in a rising interest rate environment and efficient cost saving strategies, although profitability was impacted, to an extent, by the impairment charges, in line with industry, on the Sri Lankan Government foreign securities. The total exposure in this segment is low at approximately 2% of the total assets of NTB. Whilst the severe macroeconomic stresses have largely stabilised, the Bank will continue to rigorously assess credit quality and persist with the stringent cost management culture in place, including leveraging on technology to enhance customer experience. The Bank is confident that it has the required resources to withstand the potential impacts arising from the current macroeconomic environment, given the strong capital base, healthy liquidity buffers and robust risk management models.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Revenue	Rs.**6.87** billion 2021/22: Rs.4.04 billion	▲ 70%
Recurring EBITDA	Rs.**7.02** billion 2021/22: Rs.5.41 billion	▲ 30%
Recurring PBT	Rs.**(2.02)** billion 2021/22: Rs.2.21 billion	▼ 191%
Recurring PAT	Rs.**(5.18)** billion 2021/22: Rs.958 million	▼ 640%

Work on a series of advanced analytics use cases in the Retail, Consumer Foods, Financial Services and Leisure industry groups yielded promising results with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

The Information Technology sector recurring EBITDA of Rs.758 million in 2022/23 is an increase of 68% over the recurring EBITDA of the previous financial year [2021/22: Rs.451 million]. The improved performance is on account of onboarding new clients and expanding the scope of services.

The Plantation Services sector recurring EBITDA of Rs.944 million in 2022/23 is a significant increase over the recurring EBITDA of the previous financial year [2021/22: Rs.239 million]. The increase in profitability is primarily on account of improved tea prices.

Other, comprising of the Holding Company and other investments, the Information Technology and Plantation Services sectors, together, recorded a recurring EBITDA of Rs.7.02 billion in 2022/23, which is an increase of 30% over the recurring EBITDA of the previous financial year [2021/22: Rs.5.41 billion]. The increase in EBITDA is mainly attributable to the increase in interest income due to the translation impact on the foreign currency denominated cash held at the Holding Company on account of the depreciation of the Rupee. The PBT of the Holding Company was negatively impacted by an increase in finance expenses as a result of the increase in interest rates, the translation impact of the IFC loan interest and the notional, non-cash, interest charged on the convertible debentures issued to HWIC in August 2022, in line with the accounting treatment, due to significant difference between the market interest rates and the 3% interest accrued on the instrument.

ADVANCED ANALYTICS

The Group's advanced analytics transformation journey, in collaboration with a global consulting firm, continued with the deployment of advanced analytics solutions or 'use cases', whilst driving the adoption of a greater degree of data-driven decision making in day-to-day operations of businesses across the Group. OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, continued to grow in capability and team strength, functioning as a pure play advanced analytics practice equipped to deliver end-to-end advanced analytics solutions.

As stated in the 2021/22 JKH Annual Report, work on a series of advanced analytics use cases in the Retail, Consumer Foods, Financial Services and Leisure industry groups yielded promising results with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. Accordingly, tested use cases continued to be rolled out at scale. The ongoing assessment of the impact to the business of these advanced analytics solutions, post roll-out and complete business wide adoption, has provided strong evidence that the anticipated benefits that were evident through initial pilot projects can be sustained at scale, with iterations to adapt to a changing operating environment as and when required.

The domestic macroeconomic challenges necessitated a continued review of the timing, piloting and rolling out of certain use cases. However, with the operating environment exhibiting a degree of stability in the second half of the year under review, many of the use cases that were developed and pending pilot, were rolled out successfully, particularly in the Supermarket and the Beverages businesses.

During the year under review, OCTAVE embarked on creating new road maps for potential use cases across several verticals of the Group while data governance practices were further strengthened with the adoption of a data governance tool that was deployed to serve core verticals.

The OCTAVE Advanced Analytics Academy, which offers in-class room training, online courses and curated on-the-job learning for each cohort of roles linked to the advanced analytics transformation programme, has successfully trained over 290 team members across the Group in the functioning of advanced analytics roles at OCTAVE and within the businesses.

EMPLOYEES

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

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

The challenging macroeconomic conditions, notably an environment of high inflation, experienced during the past year have created significant hardships and uncertainty for people across the country, with the talent pools exploring alternative careers overseas, resulting in a substantial increase in migration. The Group is faced with similar challenges in some of its businesses as we continue to take steps to improve retention through various initiatives, while also focusing on enhancing the Employer brand of the Group via the launch of initiatives to make a meaningful, positive and sustainable difference to our people.

The introduction of 100 days of Equal Parental Leave was aimed at eliminating the discrimination associated with recruiting women, due to potential concerns about maternity leave. We are proud that the men in the Group, eligible for parental leave, are availing themselves of this opportunity, and hope that it will also aid the workforce outside of John Keells Group, by assisting their partners to return to their respective workplaces or join the workforce, following their maternity leave.

The Group Executive Committee, in its efforts to mitigate hardships faced by the people as a result of the impact of rising prices, introduced a Temporary Crisis Allowance during the period under review for all eligible staff, which is set to continue for the forthcoming year as well. This measure, a significant step in assisting the employees during these challenging times, is intended to assist the John Keells family in bridging the gap in the costs of basic essential items and, I believe, epitomises one of the core Values of our Group - Caring.

The Group conducted its periodic culture survey through the independent third party, Great Place to Work (GPTW), and is pleased to note that the index improved materially from the previous survey. Notwithstanding this improvement, the Group has identified several areas in which it can enhance its people experience, and, as such, put in place a range of initiatives across all sectors to drive specific employee experience related agendas.

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

ONE JKH – OUR DIVERSITY, EQUITY, AND INCLUSION INITIATIVE

As we reflect on the past year, we are proud to have continued our efforts to create a workplace culture that is truly diverse, equitable, and inclusive. Launched in 2020, ONE JKH focuses on increasing female participation in the workforce, inclusivity of the LGBTIQ+ community, and increasing career opportunities for Persons with Disabilities (PWD). In 2022/23, new initiatives have been launched and ongoing initiatives strengthened.

The introduction of 100 days of Equal Parental Leave was aimed at eliminating the discrimination associated with recruiting women, due to potential concerns about maternity leave. We are proud that the men in the Group, eligible for parental leave, are availing themselves of this opportunity, and hope that it will also aid the workforce outside of John Keells Group, by assisting their partners to return to their respective workplaces or join the workforce, following their maternity leave.

The setting of the internal five-year goal of achieving 40% women in the workforce by the end of 2025/26 has already yielded results. As of 31 March 2023, the Group reached 33% female participation in our workforce from 30% two years ago, when we set this goal. Further to the launch in 2022/23, we continue to provide all female employees of John Keells Group with free sanitary napkins coupled with awareness sessions on menstrual health. We believe that this will assist to break the stigma around menstruation, address the negative impact on physical and mental well-being due to the inaccessibility to essential sanitation, and support to improve productivity of females in our workforce.

In commemoration of Pride Month, in June 2022, a trilingual e-module was launched as an awareness creator to ensure that everyone across the Group understands the relevant facts and terminology in relation to the LGBTIQ+ community. The Group was also a sponsor of the 18th Annual Colombo Pride Festival, partnering with three events that focused on education and awareness.

In July 2022, to create a truly equitable and inclusive workplace, the Group launched the usage of Gender-Neutral terminology and created awareness on gender pronouns. This is not only an effective way to normalise discussions about gender identity and create an inclusive work environment for transgender and non-binary persons, but also to avoid masculine generic terms and, instead, use a suitable gender-neutral alternative.

In January 2023, we launched our PWD policy which provides details of the disability categories structured in line with globally accepted categorisations that the Group will adopt going forward. We have identified job roles from each business unit that can be filled by those within diverse disability categories, with reasonable accommodation. While a few years ago, we commenced making our locations wheelchair accessible, as part of the supported employment strategy roadmap, we will continue to work on the infrastructure changes required to make our physical and digital spaces accessible to all.

GOVERNANCE

I am pleased to state that there were no reported violations of the Group Code of Conduct and Code of Business Conduct and Ethics of the Code of Best Practice of Corporate Governance 2013, jointly advocated by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. I also wish to affirm our commitment to upholding Group policies, where emphasis is placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations.

In affirmation of this commitment, JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third consecutive year, with a 100% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 100 companies listed on the Colombo Stock Exchange.

During the year under review, several initiatives were undertaken to further strengthen the Group's governance framework and controls. The Group continued with its multi-pronged approach to internal audits and process reviews by augmenting its integrated fraud deterrent and investigation framework to foster synergy and collaboration efficiencies between components that deliver governance and assurance and related services, in facilitating business strategies. In addition, the Group recorded the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies and further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given.

JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third consecutive year, with a 100% score for transparency in disclosure practices.

As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group embarked on re-formulating its ESG framework in collaboration with an international third-party consulting firm, setting revised Group-wide ESG ambitions and translating such ambitions to ESG related targets.

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

Integrated Reporting

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

SUSTAINABILITY

This Report discloses the Group's sustainability performance in accordance with the Global Reporting Initiative (GRI) Standards and details its integrated approach to sustainable business practices, its management framework and its overall sustainability performance over the reporting year.

The Group continued its efforts to manage its Natural Capital through initiatives aimed at improving efficiency, conservation of natural resources and management of outputs such as emissions, effluents and waste in a responsible manner. Further, the Group continued to make investments in its Human Capital through training and development and ensured a safe working environment for its diverse workforce. Encouraging supply chain partners to advance their sustainability efforts and the work done with communities further enabled the Group to strengthen its Social and Relationship Capital.

Upon completion of the ESG exercise referred to above, the Group's alignment of different ESG efforts will be clearly defined through the framework and the Group's ESG agenda including ambitions and roadmaps with short, medium and long-term goals on how these ambitious goals would be achieved, would be clearly stated.

Given the higher operational activity compared to the previous year, in absolute terms, the Group recorded increases in emissions and resource usage. However, reflecting the positive results of the initiatives embarked upon in these areas on an efficiency basis, the Group's carbon footprint per million rupees of revenue decreased by 29% and water withdrawn per million rupees of revenue decreased by 31%, respectively. In absolute terms, the Group reported an 8% increase in its carbon footprint to 103,597 MT, a 5% increase in its water withdrawal to 1,931,418 cubic meters and a 2% increase in its waste generation to 8,322 MT. 249 incidences of occupational injuries were recorded during the year. Employees were provided with an average of 26 hours of training per person.

CHAIRPERSON'S MESSAGE

The Group's businesses continue to work towards the established Sustainability Goals to be achieved by 2024/25, which include renewable energy generation and plastic reduction. The performance against these goals is disclosed in this Report.

Plasticcycle

The Group's Social Entrepreneurship Project 'Plasticcycle', has been steadfast in its efforts to serve as a catalyst for significantly reducing plastic pollution in the country. Through its initiatives, 'Plasticcycle' aims to reduce usage of single-use plastics, support responsible disposal, and promote recycling initiatives and innovation to support a circular economy. Despite the challenges posed by the economic crisis, 'Plasticcycle' has collected 127,000 kg of recyclable plastic waste since its inception in 2017/18. This has been made possible through a robust network of over 250 collection bins, with a monitoring and reporting mechanism on the collections, which enables reassigning of the bins to new locations, targeting increased collections per bin.

For the year in review, 'Plasticcycle' further strengthened its collection network, by placing recyclable plastic waste disposal bins at certain exits of the Central Expressway in partnership with Ceylon Cold Stores PLC, Coca Cola Beverages Sri Lanka, the Road Development Authority and Eco Spindles.

'Plasticcycle' also conducted customised awareness sessions for over 3,000 students and other target audiences with the aim of highlighting the challenges related to plastic pollution and educating and encouraging them on adopting the 4R's – Refuse, Reduce, Reuse and Recycle with regard to plastics.

CORPORATE SOCIAL RESPONSIBILITY

The John Keells Group's deep-rooted commitment to Corporate Social Responsibility (CSR) is an integral part of our business ethos. We believe in proactively contributing to building a better future for all and ensuring that our efforts had meaningful and sustained impact during the unprecedented economic challenges which prevailed during the year in Sri Lanka.

Guided by our CSR vision of 'Empowering the Nation for Tomorrow', John Keells Foundation (JKF) continued to operate within the six focus areas of Education, Health, Livelihood Development, Environment, Arts & Culture and Disaster Relief. Our CSR initiatives remain aligned to national priorities and the Sustainable Development Goals as well as principles of the United Nations Global Compact of which JKH is a participant. CSR volunteerism by staff enabled them to contribute to community activities while benefiting from the resultant positive energy, team spirit and personal motivation.

Highlights of our CSR initiatives during the year are outlined below, while details can be found in the Group Consolidated Review section in this Report.

Crisis Response

The Group initiated a multi-pronged crisis response initiative to address the widespread socio-economic challenges affecting Sri Lanka. Accordingly, the following projects were designed and implemented to provide both immediate relief as well as sustained empowerment-based support to affected persons under the broad pillars of food security and educational support.

Dry Ration Distribution

'Keells' and 'Union Assurance', in collaboration with other stakeholders, distributed a total of 35,940 relief packs to disadvantaged families and communities across the country.

We believe in proactively contributing to building a better future for all and ensuring that our efforts had meaningful and sustained impact during the unprecedented economic challenges which prevailed during the year in Sri Lanka.

The Group's Social Entrepreneurship Project 'Plasticcycle', aims to reduce usage of single-use plastics, support responsible disposal, and promote recycling initiatives and innovation to support a circular economy.

School Meal Programme

Under 'Pasal Diriya' - an initiative by JKF in partnership with the Ministry of Education and Group businesses, to establish an ecosystem to provide nutritious school meals towards mitigating child malnutrition, increasing school attendance and improving mental well-being - a total of 125,977 school meals were provided to 2,951 children of 11 selected schools and 3 preschools. Through the 'Keells Meal Donation' crowdfunding initiative, over 49,578 school meals were also distributed to 995 children in 26 preschools.

Home Gardening and Sustainable Farming

Local communities around Group businesses were empowered to improve the productivity of farms and develop home gardens through resources and training on good agricultural practices towards strengthening food security, improving nutrition, enhancing livelihoods and generating additional household income. The production of over 98,273 kgs of fresh produce was attributed to these efforts during the year.

Provision of Entrepreneurship Grants and Other Support

'Keells' provided microgrants to 400 beneficiaries in over seven locations and also partnered with USAID and other stakeholders to support 21 small-scale suppliers of 'Keells' through loans, grants and technical support and business mentoring to enhance productivity and competitiveness.

Access to Education

The John Keells 'Praja Shakthi' Digital Learning Initiative, in partnership with Deutsche Bank, Dialog Axiata PLC and John Keells Office Automation, was expanded to provide digital devices and data packages to 180 children. Back-end monitoring systems supplemented by cyber safety awareness were implemented to ensure online safety of beneficiary students. Additionally, JKF increased the quota of annual English and Higher Education scholarships awarded to deserving students.

Donation to the 'Suwa Seriya' Foundation

JKH donated Rs.100 million to the 'Suwa Seriya Foundation' for the operations of the 'Suwa Seriya Ambulance Service', which provides free-of-charge lifesaving emergency medical assistance to the public across the country. The donation aims to support the ambulance service, which was facing financial constraints, allowing the service to continue operations.

Project WAVE (Working Against Violence through Education)

Project WAVE continued to combat gender-based violence (GBV) and child abuse through multiple public awareness and social media initiatives, including carrying out an interactive forum for lawyers, judges and police officers in partnership with the Bar Association of Sri Lanka, with a total reach of an estimated 631,313 persons, training for 39 police officers of the Polonnaruwa Police Division, child protection awareness for 2,264 school children as well as internal awareness and training programmes for 2,216 Group staff.

Substance Abuse Prevention

Substance abuse awareness was undertaken by JKF with the National Dangerous Drugs Control Board, Humedica Lanka and local Government agencies to conduct customised awareness programmes for 379 school teachers, preschool teachers, parents and Government officers and through a social media campaign reaching an estimated 12,447 individuals.

John Keells 'Praja Shakthi'

- The Child Learning Centre at De Mel Park Community Centre in Colombo 2, was established with ChildFund Sri Lanka and the Colombo Municipal Council while a series of 48 aesthetic workshops for youth was concluded with a successful exhibition.
- Women's Livelihood enhancement continued with batik artisans in Hikkaduwa and paper product entrepreneurs in Ranala.

Upskilling Youth

- Under the long-term collaboration with the University of Moratuwa, 97 undergraduates of the Transport Management and Logistics Engineering Faculty underwent a customised English programme.
- 738 students of the Universities of Ruhuna and Colombo benefited from soft skills webinars towards improving undergraduate employability.

JKH donated Rs.100 million to the 'Suwa Seriya Foundation' for the operations of the 'Suwa Seriya Ambulance Service', which provides free-of-charge lifesaving emergency medical assistance to the public across the country. The donation aims to support the ambulance service, which was facing financial constraints, allowing the service to continue operations.

Environment Conservation

JKF's conservation efforts during the year included:

- Planting of 15,315 seedlings of indigenous forest plants under the 3-year Cinnamon Rainforest Restoration Project – a collaboration between JKF, 'Cinnamon Hotels & Resorts', Ruk Rakaganno and the Forest Department - aimed at restoring a degraded 59-acre plot in Suduwelipotha Forest.
- Production of an awareness cum promotional video on the Rumassala Nature Field Centre under a long-term collaboration between JKF and the Central Environment Authority.

Arts & Culture

- Kala Pola - The 30th anniversary of Sri Lanka's renowned annual art fair of visual art showcased the works of 312 adult artists and 358 child artists, to over 33,000 visitors.
- Primary sponsorships/grants - JKF's sustained support enabled:
  - The Museum of Modern and Contemporary Art Sri Lanka (MMCA) to show the 'Encounters' exhibition to over 20,866 visitors and conduct capacity building for representatives of 18 Sri Lankan cultural organisations through MMCA's first Museum Intensive programme with the Reinwardt Academy and the Cultural Heritage Agency in the Netherlands.
  - The Gratiaen Trust to conduct the annual Gratiaen Prize, the H.A.I. Goonetileke Prize for Literary Translation and initiate its 30th year commemorations with a literary day in Jaffna.

Group Volunteerism

During the year in review, JKF recorded a total of 4,856 hours of CSR volunteerism by 610 staff volunteers across the John Keells Group in respect of activities conducted by JKF. This number excludes substantial volunteer activities independently undertaken at a business unit level.

DIVIDENDS

The Company paid a first interim dividend of Rs.1.00 per share in December 2022 and a second interim dividend of Rs.0.50 per share in March 2023.

Your Board maintained the final dividend for 2022/23 at Rs.0.50 per share given the macroeconomic environment which could result in stresses on operating performance and cash flows and the pipeline of strategic investments such as 'Cinnamon Life Integrated Resort' and the WCT-1 project. Accordingly, the dividend declared for 2022/23 is Rs.2.00 per share. The final dividend for 2022/23 will be paid on or before 21 June 2023. 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 and to fund its pipeline of strategic investments.

RETIREMENTS AND APPOINTMENT OF DIRECTORS

Mr. A. Omar retired from the JKH Board with effect from 27 June 2022, having completed nine years on the Board. I would like to place on record our deep appreciation for the invaluable contribution made by Mr. Omar during his tenure on the Board.

Ms. P. Perera will retire from the JKH Board with effect from 30 June 2023, having completed nine years on the Board. I would like to place on record our deep appreciation for the invaluable contribution made by Ms. Perera during her tenure as a Director.

As announced to the Colombo Stock Exchange, Dr. Sharmini Amrita Coorey was appointed as an Independent Non-Executive Director of John Keells Holdings PLC, with effect from 1 January 2023.

CONCLUSION

The year under review was characterised by many unprecedented events in the country, economically, socially and politically. The corporate sector had to endure challenges unseen before, and I am pleased that the Group performed admirably during this tumultuous period. Whilst the country and our people showed resilience once again to emerge from this challenge to levels of normalcy within a relatively short period of time, an economic crisis of this proportion can be a catalyst for a major economic overhaul for the country and presents a significant opportunity to re-set and re-rate some of the country's fundamentals. The resolve to continue to stay on the path of consolidation and ensure we address the calls for better governance, including public sector reform, will be pivotal to achieving sustainable growth. As mentioned before, the country has, possibly for the first time ever, put in place the fundamental framework of economic policies that will enable us to emerge from this crisis stronger than we were. As importantly, the 'checks and balances' required to ensure financial responsibility, through legislative means, are critical to ensure the framework for independent management of external financing is maintained, and we hope the Government enacts the relevant Acts expeditiously. Whilst Sri Lanka has commendably embarked on the hard road to recovery, it is imperative to sustain the reform momentum, rebuild trust in public institutions through greater transparency and accountability, and protect the livelihoods of those most affected by the crisis. We are hopeful that Sri Lanka's international partners will continue to extend their support to help achieve this balance between critical reforms and ensuring that people's safety nets and opportunities are not lost.

As always, I am extremely proud of the manner in which our people and teams have rallied around to ensure we continue to prepare, pre-empt and navigate challenges successfully. Whilst the impact and outlook on consumer spend as a consequence of the fiscal and monetary tightening measures, including higher taxation, and elevated inflation are somewhat uncertain at this juncture in time, I am confident that our businesses have done their best to ensure that the momentum of business continues to its utmost potential as we serve all our stakeholders. While the macroeconomic conditions have improved significantly, we are conscious that the current impact on consumer discretionary spend on account of higher taxation, interest rates and policy measures to restore economic stability may continue over the next few quarters. The Group will continue to focus on productivity, cost optimisation and closely review all capital expenditure and new investments as a means to driving profitability. As we look forward to the years ahead, we pledge to play our part and take a proactive role in shaping and driving the nation's economic recovery, as the Group also brings to bear our landmark transformative projects such as the 'Cinnamon Life Integrated Resort' and the West Container Terminal (WCT-1) at the Port of Colombo, which are both expected to commence operations towards the end of 2024. 'Cinnamon Life' will be the first integrated resort in Sri Lanka and is the largest private investment in the country to date, evidencing our commitment to nation-development, which remains strong. We continue to be guided by our vision to transform Sri Lanka through such landmark investments. That vision is fast becoming a reality as we look forward to launching operations of both these investments by the end of 2024.

We believe that the convergence of an economic revival together with our own landmark transformational projects coming to life will create tremendous opportunities for the country and Group, which we believe will result in a 're-rating' of our performance and investment thesis.

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

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

Krishan Balendra

Krishan Balendra
Chairperson

23 May 2023

As we look forward to the years ahead, we pledge to play our part and take a proactive role in shaping and driving the nation's economic recovery, as the Group also brings to bear our landmark transformative projects such as the 'Cinnamon Life Integrated Resort' and the West Container Terminal (WCT-1) at the Port of Colombo, which are both expected to commence operations towards the end of 2024.

INVESTOR RELATIONS

GROUP HIGHLIGHTS

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

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

https://www.keells.com/investor-relations

FINANCIAL AND MANUFACTURED CAPITAL

Financial Highlights

Group (Rs.million)	2022/23	2021/22	2020/21
Revenue – consolidated	311,478	244,294	145,446
Recurring profit before interest and tax (EBIT)	34,944	31,149	7,893
Recurring profit before interest, tax, depreciation and amortisation (EBITDA)	45,740	39,259	18,750
Recurring profit before tax (PBT)	17,141	24,432	3,498
Recurring profit after tax (PAT)	14,109	20,760	6,222
Net debt (excluding both lease liabilities and the convertible debenture liability)	111,029	77,611	48,709

Key operational and financial highlights during the year under review

- The Group reported a resilient performance during the year, amidst the unprecedented challenges in the operating environment, recording a recurring EBITDA growth of 17% to Rs.45.74 billion. This is despite the substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at the 'Cinnamon Life Integrated Resort' in 2021/22, compared with the absence of corresponding recognition in the current year.
- Sri Lanka has witnessed a strong turnaround from the onset of its worst macroeconomic crisis, and it is encouraging to witness the continuation of normal day-to-day activities in the country, supported by continued political and social stability.
- The Group's Bunkering business recorded a significant increase in profitability driven by higher margins on account of the steep increase in fuel oil prices and volumes during the first half of the year, whilst the profitability of the Group's Ports and Shipping business recorded an increase as a result of higher revenue from ancillary operations and the translation impact due to the depreciation of the Rupee.
- The Leisure industry group recorded a strong performance driven by the Maldivian Resorts and the recovery momentum in the Colombo Hotels and Sri Lankan Resorts segments, supported by a return to normalcy on the back of continued political and social stability during the second half of the financial year.
- The Supermarket business recorded a recurring EBITDA growth of 45% to Rs.7.46 billion due to an increase in same store sales driven by a combination of higher customer footfall and basket values on account of high inflation.
- Profitability in the Consumer Foods businesses was impacted by volume declines in the second half of the year, reflective of dampened consumer sentiments, and lower margins. With global raw material prices coming off its peak, the stabilisation of the country's foreign exchange liquidity position and the appreciation of the Rupee, the pressure on margins has started to gradually ease from the fourth quarter of 2022/23 onwards.
- The Property industry group recorded a decline in profitability due to 2021/22 including revenue and profit recognition from the handover of the residential apartment units at the 'Cinnamon Life Integrated Resort', compared with the absence of any corresponding recognition in the current year. The recognition of revenue of all units sold at the 'Cinnamon Life Integrated Resort' was completed by 31 March 2022.
- The Financial Services industry group recorded a strong growth in profitability, where the Insurance business witnessed a growth in the life insurance surplus and gross written premiums whilst Nations Trust Bank recorded an increase in net interest margins and a reduction in costs.

Insight - Private Placement of Convertible Debentures to HWIC Asia Fund

In August 2022, the Company raised funds by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada.

- Rs.27.06 billion was raised by issuing 208,125,000 Sri Lankan Rupee denominated unrated, unlisted, unsecured convertible debentures at an issue price of Rs.130 per debenture.
- The debentures have a maturity period of three years and will accrue interest at a rate of 3% per annum.
- The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period commencing from 12 February 2024 to 12 August 2025.
- The maximum number of ordinary shares that would potentially be issued under the conversion of the debentures would be 208,125,000 ordinary shares.

Accounting Treatment:

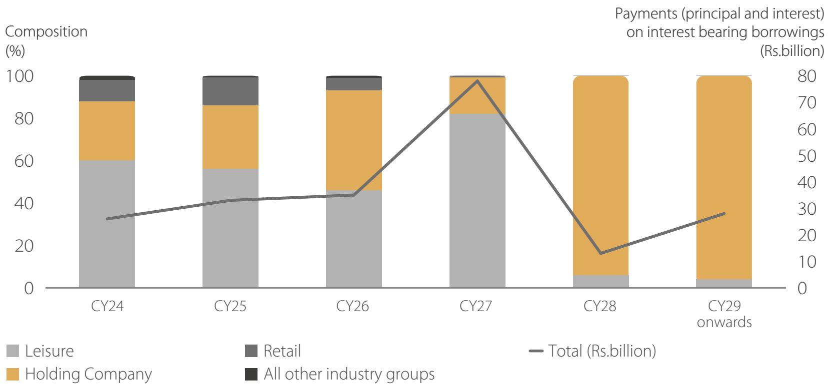
- The convertible debentures were benchmarked against an equivalent plain vanilla debenture in order to segregate the liability (which is debt-like) and equity components associated with the transaction, as per the accounting standards.
- The resultant liability embedded in the convertible debentures was recognised under non-current financial liabilities, whilst the residual of Rs.10.51 billion was recognised under other capital reserves.

GROUP HIGHLIGHTS

Annual Recurring EBITDA and Recurring PBT

Rs.million	2022/23	2021/22	2020/21	2019/20
Recurring EBITDA				
Transportation	11,963	6,141	3,610	4,375
Consumer Foods	3,184	3,485	3,318	3,366
Retail	8,779	7,549	5,523	5,108
Leisure	8,604	3,785	(3,588)	2,306
Property	(265)	7,867	(17)	641
Financial Services	6,451	5,024	3,645	2,988
Other, including Information Technology and Plantation Services	7,024	5,408	3,082	1,286
Group	45,740	39,259	15,572	20,069
Recurring PBT				
Transportation	10,973	5,712	3,269	4,044
Consumer Foods	1,140	2,319	2,304	2,284
Retail	1,527	3,056	1,608	1,490
Leisure	(382)	(1,512)	(8,546)	(1,597)
Property	(503)	7,650	(109)	535
Financial Services	6,400	4,995	3,360	2,755
Other, including Information Technology and Plantation Services	(2,015)	2,213	1,612	787
Group	17,141	24,432	3,498	10,299

Maturity Analysis of Interest Bearing Borrowings



The following should be noted with regard to the illustration above:

- Interest bearing borrowings does not include the convertible debentures issued in August 2022. The liability component amounting to Rs.18.38 billion is recognised under Non-Current Financial Liabilities. In the event the debenture is not converted during the conversion window, an obligation for Rs.27.06 billion will materialise in August 2025.
- The USD 225 million term loan facility at 'Cinnamon Life Integrated Resort', captured under Leisure, falls due for repayment in December 2026. Based on the structuring of the loan, ~75% of the loan is due for repayment in the final year where the intention and strategy would be to refinance a component at that juncture.
- The USD 175 million term loan from IFC, captured under the Holding Company, falls due for repayment in equally amortising capital repayments from December 2024 onwards.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project are mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars. Accordingly, the risk is largely hedged 'naturally' given the expectation of foreign currency linked revenue streams. Similarly, at present, there is no foreign exchange translation risk on the IFC loan since the cash is retained in foreign currency at the Holding Company.

Recurring Group EBITDA
Rs.**45.75** billion
2021/22: Rs.39.26 billion 17%

Recurring Group PBT
Rs.**17.15** billion
2021/22: Rs24.43 billion 30%

The decline in recurring PBT of 30% in the current year is primarily due to the following reasons.

- The previous year included a profit recognition of Rs.6.30 billion on account of the residential apartment sales at 'Cinnamon Life Integrated Resort', as explained elsewhere in this Report, whereas there was no corresponding profit recognition in the current year.
- Increase in finance expenses due to the impact of significantly higher interest rates and the translation impact of the foreign currency denominated interest expense on account of the depreciation of the Rupee.
- A non-cash notional change of Rs.1.83 billion was recorded in the current year in respect of the convertible debenture issued to HWIC.

Net debt (excl. both lease liabilities and the convertible debenture liability)
Rs.**111.03** billion
2021/22: Rs.77.61 billion 43%

Insight - Capital Expenditure

Despite the challenging and unprecedented years, the Group has carried out significant investments which have continued steadfastly, maintaining the depth and breadth of the Group's long-term investment strategy which is now coming in fruition.

The investments in recent years have focused on a refurbished portfolio of Leisure properties and the acquisition of a long-term lease on a new hotel in the Maldives. The Group has also doubled its store footprint in the Supermarket business to over 130 outlets and capacity and capability investments in the Frozen Confectionery and Insurance businesses.

The Group is confident of its ability to fund projects, if feasible, and as required, thereby optimising equity returns in the long run.

In addition to the routine maintenance capital expenditure, the key investments the Group will focus on in the near-term:

- Balance investment towards the completion of the 'Cinnamon Life Integrated Resort'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of 'Cinnamon Red Kandy'

Industry Group-wise Quarterly Performance

The following provides an insight to the performance of the industry groups across the quarters.

- Although there were no pandemic related disruptions in Q1, there were numerous challenges and macroeconomic pressures emanating from a precarious external financing position, including a severe fuel shortage, scarcity of essential commodities, food and medicines, and disruptions to power. Despite this, the Group reported a strong performance, which was a significant improvement over the comparative period of last year, with all businesses witnessing a sustained recovery momentum. The Group's Leisure businesses, in particular, continued to record a significant turnaround in performance primarily due to the Maldivian Resorts. It should be noted that the performance of the comparative quarter was somewhat distorted due to the business disruptions on account of the imposition of island-wide travel restrictions.
- Despite the challenging operating environment in Q2, the Group reported a strong performance with all businesses recording an increase in profitability, except for the Property industry group. The day-to-day consumer and business activity gradually reverted to levels of normalcy from late July 2022 onwards, supported by political and social stability and less disruptions on account of the macroeconomic challenges. It is noted that the comparative quarter continued to be impacted by business disruptions stemming from the Covid-19 pandemic.
- Q3 witnessed the continuation of normal day-to-day consumer and business activity, supported by sustained political and social stability and less disruptions on account of the macroeconomic challenges. Whilst businesses witnessed a strong performance in contrast to the comparative quarter, cost pressures continued to impact businesses. The Consumer Foods industry group in particular noted a decline in profitability due to a contraction in volumes on account of price increases undertaken in several stock keeping units (SKUs) to address rising costs, mitigate margin pressure, and declining disposable incomes.
- The overall macroeconomic stability of the country improved during the fourth quarter aiding tourism and the Group's Sri Lankan Leisure businesses. However, consumer disposable income contracted further with the increase in personal income taxes implemented from 1 January 2023, which impacted the Group's consumer focused businesses, in particular.

Group Revenue	**Rs.million**				**YoY %**			
2022/23	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	23,969	20,233	15,335	14,108	343	161	102	27
Consumer Foods	7,657	8,457	7,298	7,856	107	85	34	8
Retail	25,624	25,835	28,040	27,349	27	24	8	15
Leisure	8,623	8,030	10,631	12,394	346	160	90	50
Property	590	695	402	436	(84)	(91)	(88)	(98)
Financial Services	3,356	3,970	4,873	4,003	11	2	1	2
Other, including Information Technology and Plantation Services	1,695	1,845	1,659	1,674	71	84	88	44
Group	**71,516**	**69,065**	**68,239**	**67,820**	**84**	**40**	**27**	**(11)**

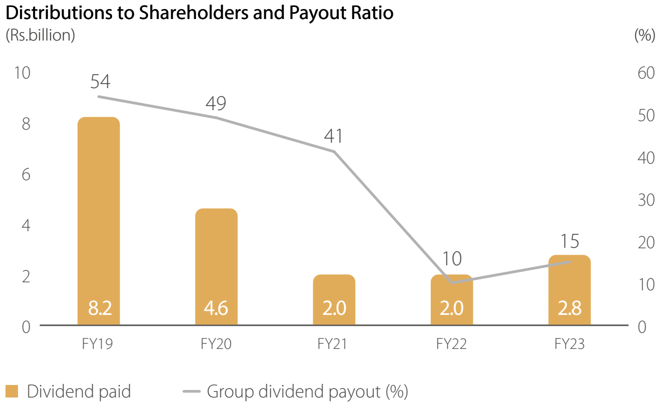
Recurring EBITDA	**Rs.million**				**YoY %**			
2022/23	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	4,551	3,035	2,840	1,537	345	153	103	(39)
Consumer Foods	1,233	1,009	402	540	288	68	(60)	(65)
Retail	2,319	1,963	2,320	2,176	48	48	2	(9)
Leisure	1,869	1,005	1,898	3,831	(388)	(2,278)	54	18
Property	(140)	(279)	(312)	466	(126)	(122)	(144)	(91)
Financial Services	877	1,104	2,571	1,899	14	12	22	64
Other, including Information Technology and Plantation Services	2,623	1,457	1,746	1,198	119	35	117	(49)
Group	**13,333**	**9,294**	**11,465**	**11,647**	**180**	**45**	**20**	**(37)**

GROUP HIGHLIGHTS

Dividend

- The Company paid two interim dividends of Rs.1.00 and Rs.0.50 per share in December 2022 and March 2023, respectively.
- Whilst the Group recorded a growth in core operating profits despite the substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at the 'Cinnamon Life Integrated Resort' in 2021/22, compared with the absence of corresponding recognition in the current year, given the macroeconomic environment which could result in stresses on operating performance and cash flows and the pipeline of strategic investments such as the 'Cinnamon Life Integrated Resort' and the WCT-1 project, the final dividend for 2022/23 was maintained at Rs.0.50 per share.
- Accordingly, the dividend declared for 2022/23 is Rs.2.00 per share [2021/22: Rs.1.50 per share].
- The Group will follow its dividend policy which corresponds with growth in profits whilst ensuring that the Company maintains adequate funds to support business continuity and fund its pipeline of strategic investments.

Distributions to Shareholders and Payout Ratio



Market Information of the Ordinary Shares of the Company

	2022/23	2021/22
Average daily turnover (Rs.million)	105	169
Percentage of total market turnover (%)	5.0	3.5
Market capitalisation (Rs.million)	193,888	200,813
Percentage of total market capitalisation (%)	5.0	5.2

ECONOMIC VALUE ADDED STATEMENT

Revenue
Rs.**276,640** mn
2021/22: Rs.218,075 mn

Finance Income*
Rs.**26,900** mn
2021/22: Rs.30,806 mn

Share of Results of Equity Accounted Investees
Rs.**7,574** mn
2021/22: Rs.6,746 mn

Profit on Sale of Assets and Other Income
Rs.**3,261** mn
2021/22: Rs.2,615 mn

Valuation Gain/(Loss) on Investment Property
Rs.**879** mn
2021/22: Rs.(4,085) mn

Direct Economic Value Generated
Rs.**315,254** mn
2021/22: Rs.254,157 mn

Economic Value Retained
Rs.**26,689** mn
2021/22: Rs.27,228 mn

Economic Value Distributed
Rs.**288,565** mn
2021/22: Rs.226,929 mn

Depreciation
Rs.**6,281** mn
2021/22: Rs.5,015 mn

Amortisation
Rs.**5,003** mn
2021/22: Rs.3,546 mn

Profit After Dividends
Rs.**15,404** mn
2021/22: Rs.18,667 mn

Operating Costs
Rs.**236,941** mn
2021/22: Rs.195,677 mn

Employee Wages and Benefits
Rs.**23,529** mn
2021/22: Rs.17,335 mn

Payments to Providers of Funds
Rs.**21,297** mn
2021/22: Rs.9,280 mn

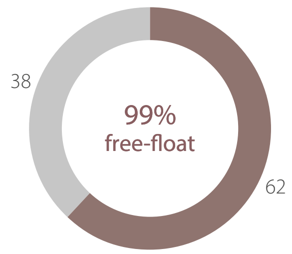
Payments To Government
Rs.**6,507** mn
2021/22: Rs.4,478 mn

Community Investments
Rs.**293** mn
2021/22: Rs.159 mn

**Includes interest income from life insurance policyholder funds at Union Assurance PLC and foreign exchange gains.*

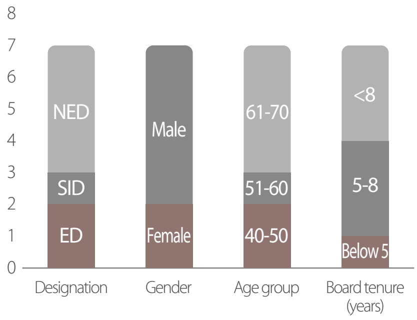
GOVERNANCE

Shareholding Structure
(%)



● Domestic ● Foreign

The current composition of the JKH Board



Environmental, Social and Governance (ESG) Initiatives

- As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group embarked on re-formulating its ESG framework in collaboration with an international third-party consulting firm, setting revised Group-wide ESG ambitions and translating such ambitions to ESG related targets.
- Select Group policies related to ESG areas were further enhanced in line with best practice advocated by internationally reputed institutions such as the Asian Development Bank and International Finance Corporation, particularly given their focus on development impacts and positive externalities.

ONE JKH – Diversity, Equity, and Inclusion Initiative

Key initiatives during the year:

- Introduction of an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child. The five days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.
- The Group has set a goal of increasing women participation in its employee cadre up to 40% by the end of 2025/26. In this regard, women participation as at the end of the year stood at 33% [2021/22: 33%].
- Adoption of gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
- As a first step to developing a focused strategy around increasing career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched.

- The Group continued with its multi-pronged approach to internal audits and process reviews by augmenting its integrated fraud deterrent and investigation framework to foster synergy and collaboration efficiencies between components that deliver governance and assurance and related services, in facilitating business strategies.
- The Group recorded the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign governments and related bodies and further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given.

Transparency in Corporate Reporting

JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third consecutive year, with a 100% score for transparency in disclosure practices.

GROUP HIGHLIGHTS

NATURAL CAPITAL

Performance	2022/23	2021/22*	2020/21
Energy consumption: non-renewable sources (GJ) 1	386,837	301,172	216,253
Energy consumption: renewable sources (GJ) 2	124,228	127,825	132,706
Purchased energy: national grid (GJ) 3	398,518	390,654	*** 349,195
Total energy consumption (1) + (2) + (3)	909,583	819,651	*** 698,154
Total energy consumption (GJ) per Rs.million of revenue	3.53	4.49	2.75
Direct greenhouse gas emissions - Scope 1 (MT)	28,144	27,507	15,894
Indirect greenhouse gas emissions – Scope 2 (MT)	75,453	71,188	66,114
Total carbon footprint (MT)	103,597	98,695	82,009
Total carbon footprint (MT) per Rs.million of revenue	0.38	0.53	0.64
Greenhouse gas emissions from combustion of biomass (MT)	8,362	9,172	10,535
Water withdrawal (m3)	1,932,965	1,843,259	1,677,672
Water withdrawal (m3) per Rs.million of revenue	7.01	10.10	13.19
Water discharge (m3)	1,200,051	1,305,676	1,091,384
Volume of hazardous waste generated (MT)	401	337	279
Volume of non-hazardous waste generated (MT)	7,921	7,855	6,484
Non-hazardous waste recycled/reused by Group companies and through third party contractors (%)	46	32	22
Significant environmental fines	Nil	Nil	Nil

1,931,418 m^3
Total water consumed across all business units

47%
Percentage of treated water out of total water consumption

51%
Percentage of recycled water out of treated water

8,322,285 MT
Total waste generated across all business units

46%
Percentage of treated non-hazardous waste recycled

182.7 MT
Total plastic waste collected

909,583 GJ
Energy used

19,018,103 kWh
Total units of renewable energy generated across all business units

11,322 MT
Total carbon footprint across all business units

13%
Percentage of renewable energy generated out of total energy consumption

INTELLECTUAL CAPITAL

OCTAVE

- Work on a series of advanced analytics use cases in the Retail, Consumer Foods, Financial Services and Leisure industry groups yielded promising results with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. Accordingly, tested use cases continued to be rolled out at scale.
- The ongoing assessment of the impact to the business of these advanced analytics solutions, post roll-out and complete business wide adoption, has provided strong evidence that the anticipated benefits that were evident through initial pilot projects can be sustained at scale, with iterations to adapt to a changing operating environment as and when required.

AWARDS

- 'Keells' supermarkets ranked as the 'Strongest Brand in Sri Lanka 2022' for the first time in its history and the 'Most Valuable Supermarket Brand 2022' by Brand Finance.
- 'Brand Finance Most Loved Brands 2022' in the Beverages and FMCG categories.
- Union Assurance was awarded the 'Best Digitising Life Insurance Sri Lanka' award at The Global Business Magazine Awards 2022.

HUMAN CAPITAL

Performance	2022/23	2021/22	2020/21
Total workforce (employees and contractors' staff)	22,250	21,200	20,092
Employees****	15,415	14,700	13,889
Outsourced personnel (neither staff employees nor seasonal workers)	6,835	6,500	6,203
Employee benefit liability as of 31 March (Rs.million)	2,559	3,107	2,814
Total attrition (%)	31	29	18
New hires (%)	64	76	47
Average hours of training per employee	26	25	23
No. of employees receiving performance reviews (%)	100	100	100
Incidences of child labour (below age 16)	0	0	0
Incidents of forced labour during the year	0	0	0

15,415
Total staff members of the group

67% Male **33%** Female
Gender ratio

69%
Average employee retention rate

Rs.33 million
Total investment on training and development

405,331
Total training hours

26
Average learning hours per employee

234
Total Number of Injuries

SOCIAL AND RELATIONSHIP CAPITAL

Performance	2022/23	2021/22	2020/21
Community services and infrastructure projects (Rs.million)	397	97	51
Proportion of purchases from suppliers within Sri Lanka (%)	81	90	85
Community engagement (no. of persons impacted)	1,553,971	1,955,639	756,153
Sustainability integration awareness (no. of business partners)	201	89	72
Business partners screened for labour, environment and human rights (no. of business partners)	63	65	74
Proportion of labels carrying ingredients used (%)	76	76	79
Proportion of labels carrying information on disposal (%)	95	89	92
Proportion of labels carrying sourcing of components (%)	3	1	1
Monetary value of significant fines** (Rs.)	No significant fines	No significant fines	No significant fines
Proportion of businesses analysed for risk of corruption (%)	100	100	100

220,394
People benefited from Crisis Response Initiatives

579,459
People benefited from Livelihood Development projects

4,132
People benefited from Education-related projects

Rs.397 million
Total CSR Spend

93.75 Acres
Total Land Area Impacted

1,553,971
Total people impacted

655,551
People benefited from Health-related projects

63
Number of Suppliers Engaged

315,255 million
Total Economic Value Generated

81%
Sourcing from Local Suppliers

92,570
People benefited from Arts and Culture projects

**2021/22 has been restated*
***Significant fines are defined as fines over Rs.1 million.*
****Purchased energy: national grid and total energy consumption values have been restated*
*****Of the Group's total employees, 683 are placed in the Maldives, with the remainder domiciled in Sri Lanka*

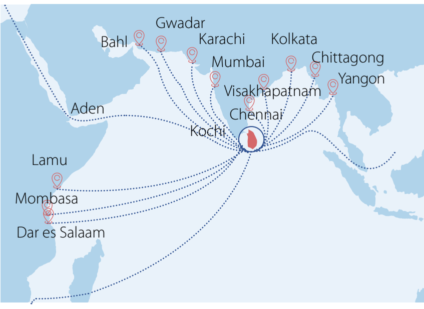
INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

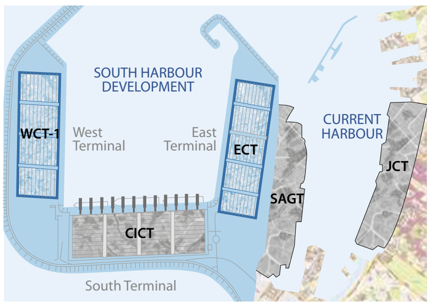
TRANSPORTATION

Industry Potential

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



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



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

West Container Terminal (WCT-1)

- The groundwork on the West Container Terminal (WCT-1) at the POC is progressing well with the entirety of the dredging works for both phases near complete.
- The contract for the quay wall construction, a significant component of the overall construction works, was awarded in October 2022.
- Phase 1 of the terminal, comprising of a quay length of 800 meters as against the previous 600 meters, is slated to be operational by the third quarter of 2024/25. The remainder of the terminal is expected to be completed by the third quarter of 2025/26.

Our Business

- 42% stake in SAGT – container terminal (capacity of ~2 million TEUs).
- Development of the WCT-1 (capacity of ~3.2 million TEUs).
- Leading bunkering services provider.
- One of the largest cargo and logistics service providers in the country.
- JV with Deutsche post for DHL air express, AP Moller for Maersk Lanka and Inchcape Shipping Services for IMMS.
- GSA for KLM Royal Dutch Airlines and Gulf Air.
- Warehousing and supply chain management.
- Domestic scheduled and charter air flight operations.

Key Performance Indicators

		2022/23	2021/22	%	2020/21
SAGT volumes	(TEU '000)	1,704	1,831	(7)	1,810
Domestic: Transshipment mix		13:87	14:86		13:87
Port of Colombo volumes	(TEU '000)	6,632	7,351	(10)	6,800
LMS volumes	(%)	8	3		(22)
Warehouse space under management	(sq. ft. '000)	317	337	(6)	337

Insight into Quarterly Performance

2022/23		Q1	Q2	Q3	Q4	Full Year
SAGT volumes	(TEU '000)	439	440	416	408	1,704
Port of Colombo volumes	(TEU '000)	1,705	1,680	1,628	1,619	6,632
LMS volume growth	(%)	54	(2)	(8)	(0)	8

Strategy and Outlook

Immediate to Short-Term

Ports, Shipping and Bunkering

- Volumes are expected to be insulated from macroeconomic disruptions given that a majority of its businesses have revenue models primarily driven by offshore markets.
- In Rupee growth terms, there maybe a negative base effect stemming from the appreciation of the Rupee in the current year as against the levels witnessed last year post the steep depreciation of the currency.

Logistics and Transportation

- The gradual removal of import restrictions and the normalisation of export volumes are anticipated to result in increased volumes.
- Given the increased airline frequencies into the country, this should bode well for more competitive fares and supply.

Medium to Long-Term

Ports, Shipping and Bunkering

- Anticipated growth in regional and global economies coupled with a rebound in the domestic economy is expected to facilitate a growth in overall volumes in the POC.
- Continue to explore opportunities arising from the POC, Hambantota and Trincomalee, particularly in relation to bunkering and storage.

Logistics and Transportation

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

CONSUMER FOODS

Industry Potential

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

Our Business

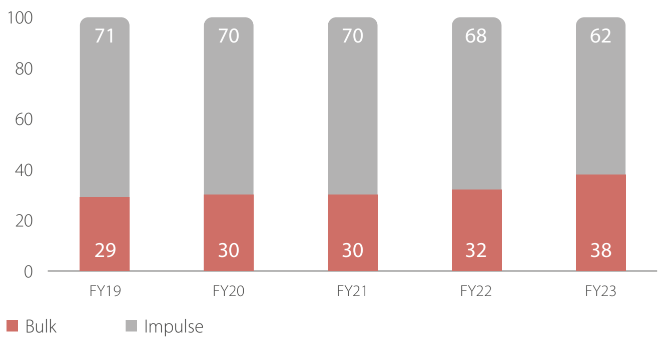
- Strong market presence in Beverages, Frozen Confectionery and processed meats through 'Elephant House' and 'Keells-Krest' brands.
- Frozen Confectionery products including premium ice cream range 'Imorich' and the 'Feelgood' guiltfree frozen yoghurt range for customers seeking wellness and balanced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

Key Performance Indicators

%	2022/23	2021/22	2020/21
Volume Growth			
Beverages (CSD)	(7)	18	(14)
Frozen Confectionery (FC)	(7)	17	(1)
Convenience Foods	(22)	12	(6)
EBITDA Margins			
Beverages and FC	10.8	16.8	20.3
Convenience Foods	9.0	16.1	19.0
PBT Margins			
Beverages and FC	4.2	11.2	14.2
Convenience Foods	1.1	11.3	12.3

Bulk:Impulse Volume Mix of the FC Business

(%)



100,000+
Outlet reach

14
CSD flavours

38:62
Revenue mix: Beverages (CSD): FC
FY22: 42:58

60
Ice Cream flavours

2
Frozen yoghurt flavours

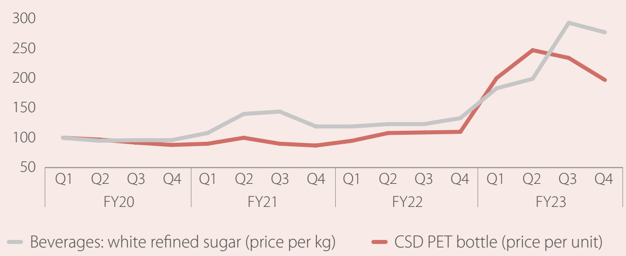
Insight into Quarterly Performance

Volume Growth 2022/23 (%)	Q1	Q2	Q3	Q4	Full Year
Beverages (CSD)	56	13	(19)	(40)	(7)
Frozen Confectionery	31	6	(19)	(30)	(7)
Bulk	19	(6)	(25)	(37)	(15)
Impulse	65	30	(7)	(18)	10
Convenience Foods	14	(11)	(33)	(48)	(22)

- The Consumer Foods industry group recorded a strong volume recovery during the first half of 2022/23 with volumes exceeding pre-pandemic levels.
- However, the profitability in the Consumer Foods businesses was impacted by volume declines in the second half of the year, reflective of dampened consumer sentiments, and lower margins.
- With global raw material prices coming off its peak, the stabilisation of the country's foreign exchange liquidity position and the appreciation of the Rupee, the pressure on margins has started to gradually ease from the fourth quarter of 2022/23 onwards.

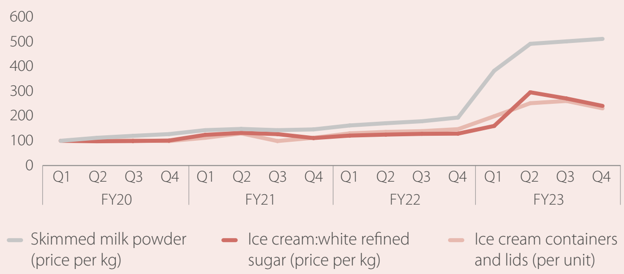
Movement of Raw Material Prices of the Beverages Business

Index: FY20 Q1 = 100



Movement of Raw Material Prices of the FC Business

Index: FY20 Q1 = 100



INVESTOR RELATIONS

INDUSTRY GROUP HIGHLIGHTS

Strategy and Outlook

Immediate to Short-Term

- Consumer discretionary spending is expected to moderate in the short-term due to a reduction in disposable income.
- Margin pressure is expected ease on the back of decreasing commodity prices, lower freight costs, improved foreign exchange liquidity, and availability of raw materials.
- Capacity enhancements will be evaluated based on business growth and the evolution of the product portfolio.
- Advanced data analytics will be utilised to optimise promotional spend, distribution networks, and production planning.
- The hotels, restaurants, catering (HORECA) channel is expected to gradually recover in line with tourism recovery.

Medium to Long-Term

- Domestic demand conditions are expected to rebound in the medium-term, driven by economic revival and improved consumer confidence.
- There is significant potential for growth in the consumer food products industry in Sri Lanka due to relatively low penetration compared to global and regional peers.
- Digitisation strategy will continue in the medium to long-term, focusing on advanced analytics for data-driven decision-making to optimise production practices, achieve cost savings, and identify growth opportunities.

RETAIL

Industry Potential

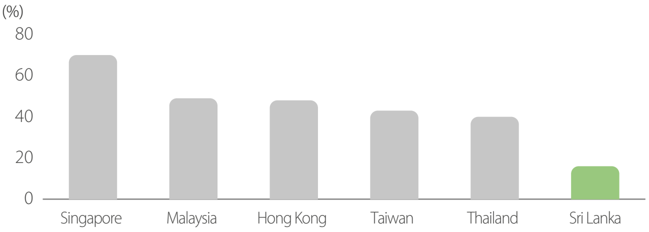
Supermarket Business

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

Office Automation Business

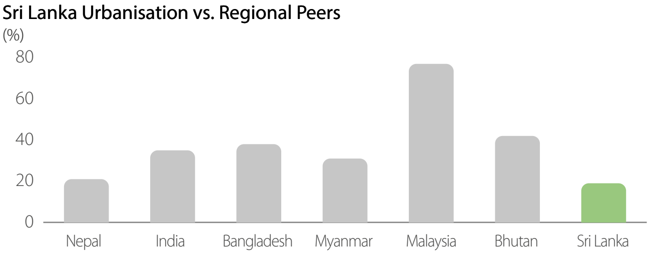
- Increased smartphone penetration in the country.
- Increased digital adoption within the country driven by smart mobile devices.

Modern Retail Penetration



Source: Central Bank of Sri Lanka, Nomura Research Institute.

Sri Lanka Urbanisation vs. Regional Peers



Source: World Bank indicators.

Our Business

Supermarket Business

- 131 modern trade outlets uniquely branded to cater to evolving consumer lifestyles.
- The state-of-the-art distribution centre (DC) centralising offerings across the dry, fresh, and chilled categories with a capacity for ~250 outlets.
- Private label consisting of ~290 SKUs.
- 'Nexus' - a loyalty programme with ~2.1 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 %	2022/23	2021/22	2020/21
Same store sales growth	47.6	12.9	(8.6)
Same store footfall growth	28.3	4.5	(31.5)
Average basket value growth	15.1	8.0	33.4
EBITDA margin	7.5	7.8	7.6
PBT margin	1.1	1.3	0.8

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

The PBT of the Supermarket business was impacted by higher finance expenses due to the significant increase in interest rates and higher working capital to ensure continuity of supplies and minimising of disruptions. This has now stabilised with the business reverting to normalised levels of working capital, although interest rates remain elevated.

Office Automation %	2022/23	2021/22	2020/21
EBITDA margin	18.8	9.9	8.9
PBT margin	(8.2)*	(3.5)*	9.1

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

Insight into Quarterly Performance

%	Q1	Q2	Q3	Q4	Full Year
Same store sales growth	54.2	73.7	40.6	30.1	47.6
Same store footfall growth	52.2	76.9	11.1	0.1	28.3
Average basket value growth	1.4	(1.8)	26.5	30.0	15.1

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

- The Supermarket business recorded a growth in same store sales driven by a combination of higher customer footfall and basket values due to high inflation.
- The average basket value (ABV) is derived based on the weight of purchase (WOP) and the retail selling price (RSP). Given the inverse relationship between the WOP and inflation, the decline in the WOP on account of reduced purchase of non-essential items due to notable inflation had a negative effect on ABV while this was more than offset by the significant increases in RSP which resulted in a net positive impact on ABV.

Strategy and Outlook

Immediate to Short-Term

Supermarket Business

- Performance largely insulated, considering that essentials and regular groceries constitute a large portion of a consumer basket.
- The distribution centre is expected to contribute significantly to process and operational efficiencies.
- Private label range and direct imports will be increased to offer customers better choice and value for money.
- The business will carefully evaluate and monitor outlet expansions due to increased construction costs.

Office Automation Business

- The gradual recovery in macroeconomic conditions is expected to drive growth in volumes.

Medium to Long-Term

Supermarket Business

- Capitalise on the low penetration of modern trade in the country.
- Expansion of outlets in both urban and suburban areas through a mix of modular and standard stores.
- Leverage on data analytics for the development and implementation of use cases to enhance business performance and productivity.
- Differentiate the shopping experience through its 'fresh' promise, service excellence and quality within five activity pillars; product, price, place, people and the customer.

Office Automation Business

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

LEISURE

Industry Potential

- Proximity to India and increased flight connectivity.
- Infrastructure led growth driving MICE and corporate tourists.
- Sought after tourist destination in the region, with increased popularity and recognition – centred around its natural diversity and cultural heritage.

Key Highlights

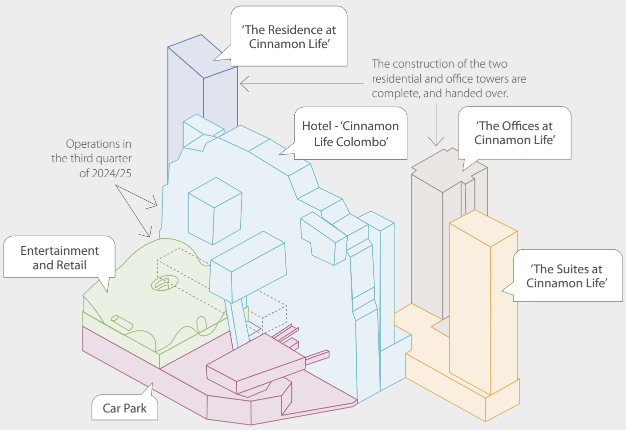
- The Maldivian Resorts segment continued its strong performance with occupancies averaging over 90%, supported by arrivals from both traditional and new source markets.
- The Colombo Hotels and Sri Lankan Resorts segments recorded a gradual recovery, supported by return to normalcy on the back of continued political and social stability.

INDUSTRY GROUP HIGHLIGHTS

Our Business

- 'Cinnamon', a well-established hospitality brand in Sri Lanka and the Maldives:
  - 3 Colombo Hotels
  - 8 Sri Lankan Resorts
  - 4 Maldivian Resorts
  - Rooms under management - 2,112 Sri Lanka and 454 Maldives
- Diverse product offering based on 'Inspired Living'.
- Combined room inventory of 2,566 rooms under management in both Sri Lanka and the Maldives.
- Land bank of 128 acres of freehold and 140 acres of leasehold land in key tourism locations.
- Leading inbound tour operator.

Cinnamon Life Integrated Resort



- Consists of an 800-guest room hotel, 'Cinnamon Life Colombo', 16 specialty restaurants, 3 ballrooms, 7 meeting rooms, exhibition hall and a conference, along with many other hotel amenities, retail, and entertainment spaces.
- Subsequent to the gazetting of the gaming regulations by the Government in August 2022, the Group is currently engaged in discussions with leading international gaming operators to secure the necessary international gaming expertise to operate at the 'Cinnamon Life Integrated Resort'.
- Similar to the experience with integrated resorts in other Asian countries, the 'Cinnamon Life Integrated Resort' has the potential to transform Colombo as a destination for leisure and entertainment and lead to significant foreign exchange earnings for the country.

Key Performance Indicators

		2022/23	2021/22	2020/21
Colombo Hotels*				
Occupancy	(%)	42	29	3
ARR	(USD)	64	70	64
EBITDA margin	(%)	7.0	1.5	(84.8)
Sri Lankan Resorts				
Occupancy	(%)	41	32	16
ARR	(USD)	65	78	62
EBITDA margin	(%)	1.2	(7.2)	(140.6)
Maldivian Resorts				
Occupancy	(%)	88	75	27
ARR	(USD)	360	333	349
EBITDA margin	(%)	32.5	34.8	(8.4)

**Both Occupancy and ARRs exclude 'Cinnamon Red Colombo' and 'Cinnamon Life Colombo'.*

Margins in the Sri Lankan Leisure businesses were under pressure given the rising input and utility costs, as yields did not pick up commensurately since the benefit of foreign currency revenue was limited due to the gradual recovery of tourism.

Insight into Quarterly Performance

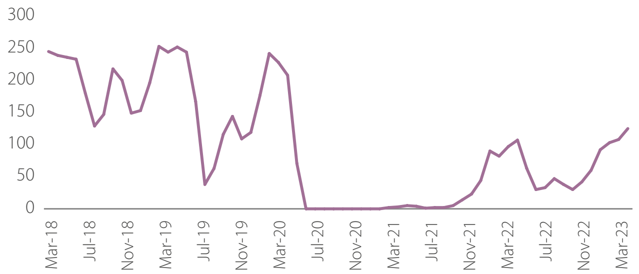
2022/23		Q1	Q2	Q3	Q4
Colombo Hotels*					
Occupancy	(%)	33	29	43	62
ARR*	(USD)	68	62	65	63
EBITDA margin	(%)	0	(4)	12	14
Sri Lankan Resorts					
Occupancy	(%)	33	31	38	62
ARR	(USD)	66	57	63	71
EBITDA margin	(%)	(16)	(25)	(11)	33
Maldivian Resorts					
Occupancy	(%)	86	86	91	89
ARR	(USD)	333	316	372	416
EBITDA margin	(%)	32	26	31	40

**Both Occupancy and ARRs exclude 'Cinnamon Red Colombo' and 'Cinnamon Life Colombo'.*

- The Colombo Hotels recorded a strong performance in its restaurant and banqueting operations. Occupancies of the Colombo Hotels improved on the back of a gradual recovery in business travel.
- The first half of the year was subdued due to the fuel restrictions and social instability witnessed in the country. The Sri Lankan Resorts segment witnessed a rebound in occupancies during the second half of the year driven by domestic travel and improved tourist arrivals.

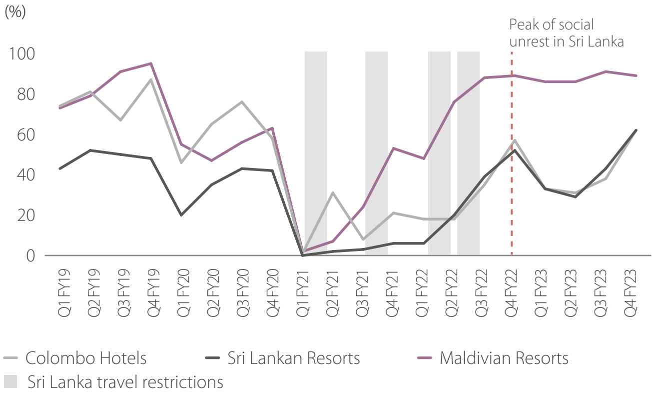
Tourist Arrivals to Sri Lanka

Arrivals ('000)



Leisure - Occupancies

(%)



Strategy and Outlook

Immediate to Short-Term

- The current recovery trend in arrivals is expected to continue, considering the opening of the Chinese borders and the increase in frequencies of flights.
- Given the proximity advantage and strong economic growth, India is expected to be a key source market.
- Comprehensive rate strategy to ensure profitable optimisation of returns; although margins maybe under pressure due to cost escalations.
- The significant increase in airfares has exerted pressure on the tourism industry.

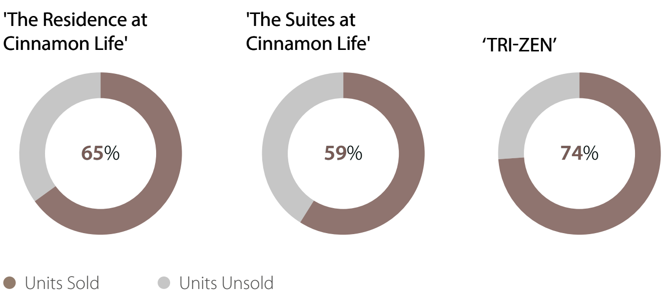
Medium to Long-Term

- The prospects for tourism remain positive considering the diversity of the offering and the potential for regional tourism.
- 'Cinnamon Life Integrated Resort' to be a key catalyst for tourism given its unique offering in South Asia.
- Greater focus on asset-light investment models as a part of the strategy to enhance the 'Cinnamon' footprint.

PROPERTY

Industry Potential

- An urban population of 17%, 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.



- The current high interest rate regime has resulted in a slowdown in sales, although 'TRI-ZEN's position as an affordable living solution with a Rupee pricing model, mitigates the risk of fluctuating exchange rates for buyers.
- The introduction of VAT of 15% on the sale of residential apartments and a SSCL of 2.5%, both of which are on revenue, further suppressed demand.

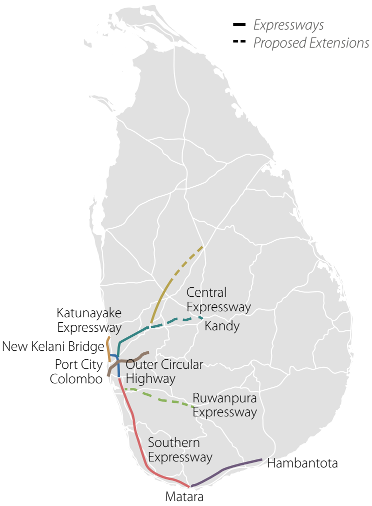
Our Business

- Projects developed under the 'Luxe Spaces', 'Metropolitan Spaces', 'Suburban Spaces' and 'Leisure linked developments' verticals which cater to the luxury, mid-tier and suburban multi-family housing segments.
- The development and sale of two residential apartment towers; 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life'.
- The development and sale/rental of units of the office tower, 'The Offices at Cinnamon Life'.
- Ongoing development of 'TRI-ZEN', a 'Metropolitan' development based on smart living in the heart of the city.
- Ownership and operation of the 'Crescat Boulevard' mall and 'K-Zone' malls in Moratuwa and Ja-Ela.
- Land bank:
  - Prime land bank of over 34 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.

INDUSTRY GROUP HIGHLIGHTS

Mall Occupancy (%)	2022/23	2021/22	2020/21
K-Zone Ja-Ela	82	82	82
K-Zone Moratuwa	99	99	90
Crescat Boulevard	73	61*	71

**Partial operations as 'Crescat Boulevard' was closed for refurbishments.*

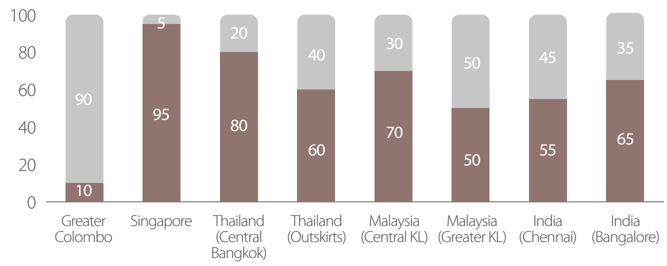


Investments in public infrastructure enabling better connectivity and mobility which contributes to significant land price appreciation.

Cumulative Sales (SPAs)	2022/23	2021/22	2020/21
The Residence	151	152	140
The Suites	115	115	111
Commercial Complex	4	4	4
TRI-ZEN*	655	652	311

**The number of units sold at 'TRI-ZEN' as at FY23, FY22 and FY21 stood at 655, 659 and 342 units, respectively.*

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



Source: Company analysis.

Strategy and Outlook

Immediate to Short-Term

- Considering the steep increases in prices last year, including the significant increase in the costs of construction, the pricing of any new development will be less competitive than projects currently in development. Residential apartment supply is likely to taper as the commencement of new projects is likely to slow down given the uncertain and volatile costs and market conditions.
- Challenges in labour mobilisation and brain drain may continue to impact construction activity.
- Exploration of investment opportunities in suburban areas of Colombo to enter the suburban market segment.

Medium to Long-Term

- Monetise the existing land bank available to the industry group, subject to market conditions, through systematic development strategies to roll-out a robust pipeline of developments via the land parcels available.
- Robust market for affordable, multi-family housing solutions in urban areas close to commercial hubs.
- Significant growth expected in the market for vertical and middle-income housing due to high land prices and construction costs of single-family houses.

FINANCIAL SERVICES

Industry Potential

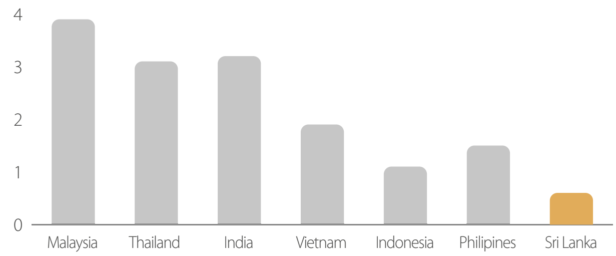
Life Insurance Industry

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

Banking Industry

- Industry loans and advances growth of 19% in calendar year 2022.
- Advances in technology around customer experience, disintermediation, delivery channels, and process automations.

Life insurance premium as a per centage of GDP, in the South Asian region
(%)



Source: Swiss Re sigma No 4 /2022.

Our Business

Life Insurance

- Operating footprint of 78 branches, excluding virtual locations.
- Agency force of over 3,177.
- Market share of ~12%.

Banking

- Branch network of 96 outlets, 83 ATMs and 85 CRMs.
- Strong online presence.
- Sri Lanka's first digital bank, 'FriMi'.
- Largest issuer of credit cards in Sri Lanka.

Insight – Impairment Provision at NTB

- An impairment provision of Rs.2.52 billion was made on its portfolio of Sri Lanka Government securities denominated in foreign currency for 2022/23.
- NTB has a relatively low exposure given that this investment portfolio accounts for ~2% of the Bank's total assets as of 31 March 2023.

Key Performance Indicators

		CY2022	CY2021	CY2020
Life Insurance				
Premium growth	(%)	8	18	13
Market share	(%)	12	12	13
Life fund	(Rs.billion)	54.9	48.9	41.9
Capital adequacy ratio	(%)	194	228	31
Banking				
Growth in loans and advances	(%)	(3)	18	(7)
Return on equity	(%)	17.1	17.9	12.1
Net interest margin	(%)	7.0	3.9	4.1
Stage 3 loan ratio	(%)	2.6	2.1	7.2 *
Capital adequacy ratio – total capital	(%)	16.3	17.5	18.3

**NPL ratio.*

Strategy and Outlook

Immediate to Short-Term

Life Insurance

- Focus on maintaining persistency of existing policies and strengthening its position as the second-largest new business producer in the insurance industry.
- Strengthening partnerships with leading banks to consolidate its status as a leading bancassurance provider.
- Will continue to monitor the domestic debt restructuring (DDR) process and potential impact on financial services sector. The business is confident in its ability to navigate potential impacts based on reasonable stress-tested scenarios.

Banking

- Decline in interest rates expected with better clarity on DDR, leading to potential recovery in credit growth.
- Higher credit and market risk exposures remain due to elevated interest rates and the prevailing economic conditions.
- Continue to leverage on its digital platforms and channels, driven by increasing demand for digital infrastructure.

Medium to Long-Term

Life Insurance

- Domestic conditions expected to rebound in the medium-term with a revival of the economy and improved confidence and disposable income after the fiscal consolidation process.
- Lower insurance penetration in comparison to regional markets, rising incomes, and an ageing population expected to drive growth in the life insurance industry.
- Utilise data analytics to gain insights for market evaluation, product development, and growth strategies.

Banking

- NTB will continue to invest in its digital infrastructure and processes to improve customer service, offer innovative solutions, and enhance operational efficiency.

INDUSTRY GROUP HIGHLIGHTS

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Industry Potential

Information Technology

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

Plantation Services

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

Our Business

Information Technology

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

Plantation Services

- Leading tea and rubber broker.
- Operates six of the seven factories owned. One factory is leased externally.
- Produces both 'crush, tear, curl' (CTC) and orthodox tea.
- Manufacturer of low grown teas.
- State-of-the-art warehousing facility for pre-auction produce.

Strategy and Outlook

Information Technology

Immediate to Short-Term

- Leverage on its strategic partnerships and capabilities to offer smart software solutions, especially in the areas of cloud computing, software as a service (SaaS) and automation.
- Explore potential opportunities for managed services, outsourcing and offshoring given the 'new' ways of working.
- A key challenge for the IT businesses is attrition and talent sourcing, which is exacerbated by the ongoing macroeconomic environment.

Medium to Long-Term

- Explore opportunities in cloud-based solutions and services across industries, with emphasis on cloud, SaaS, automation, advanced analytics, application modernisation, cyber resilience and platform/ecosystem thinking, among others.
- Focus on delivering innovative consultative solutions and services across the five value stacks of 'Strategy', 'Core', 'Cloud', 'Platforms' and 'Ecosystems'.
- The low penetration of BPM services in Sri Lanka and the increasing demand for outsourced services, particularly non-core functions, are seen as positive factors.

Plantation Services

Immediate to Short-Term

- The previous fertiliser shortages caused by the ban on agrochemical imports in April 2021 have largely subsided, supporting an anticipated improvement in tea production.
- Tea prices in USD terms are expected to remain resilient in the short-term, despite increased tea supply, supported by organic growth and health-conscious consumers.
- Demand for tea may be impacted by a global economic slowdown.

Medium to Long-Term

- Explore opportunities to capitalise on demand for low grown tea from the Middle East and Russia, and emerging tea drinking countries such as Germany and the United States.
- Adverse and unpredictable weather conditions caused by climate change pose a significant challenge for the business.
- The business will face increased regulations and controls on chemical usage in the tea plantation industry to meet maximum residue levels (MRLs) and ensure compliance.
- Optimise costs and improve factory utilisation.

TRANSFORMING

MANAGEMENT DISCUSSION & ANALYSIS

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

External Environment

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

Industry Group Review

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

Standalone Reviews of Each Form of Capital (Financial and Manufactured Capital, Natural Capital, Human Capital, Social and Relationship Capital and Intellectual Capital)

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.

Outlook

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

Strategy, Resource Allocation and Portfolio Management

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

Share Information

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

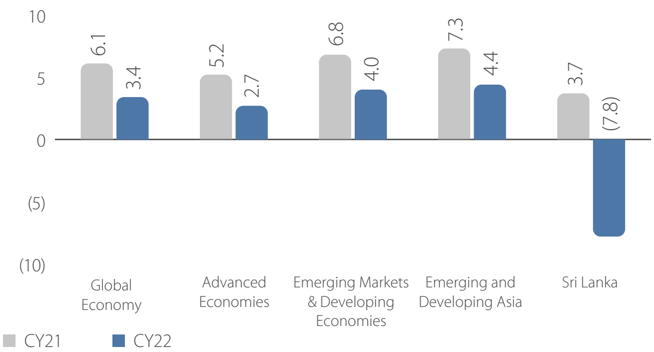
EXTERNAL ENVIRONMENT

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

GLOBAL ENVIRONMENT

Global economic growth is estimated at 3.4% in CY2022, a notable slowdown against the 6.1% recorded in CY2021, primarily on account of a cost-of-living crisis on the back of persistent and escalating inflationary pressures worldwide which compelled Central Banks to adopt contractionary monetary policy stances. The Russia-Ukraine conflict and a resurgence of Covid-19 in China also exacerbated the impact on global economic activity.

CY2021 vs. CY2022 Economic Growth
(%)



Source: World Economic Outlook January 2023, International Monetary Fund.

OPERATING ENVIRONMENT

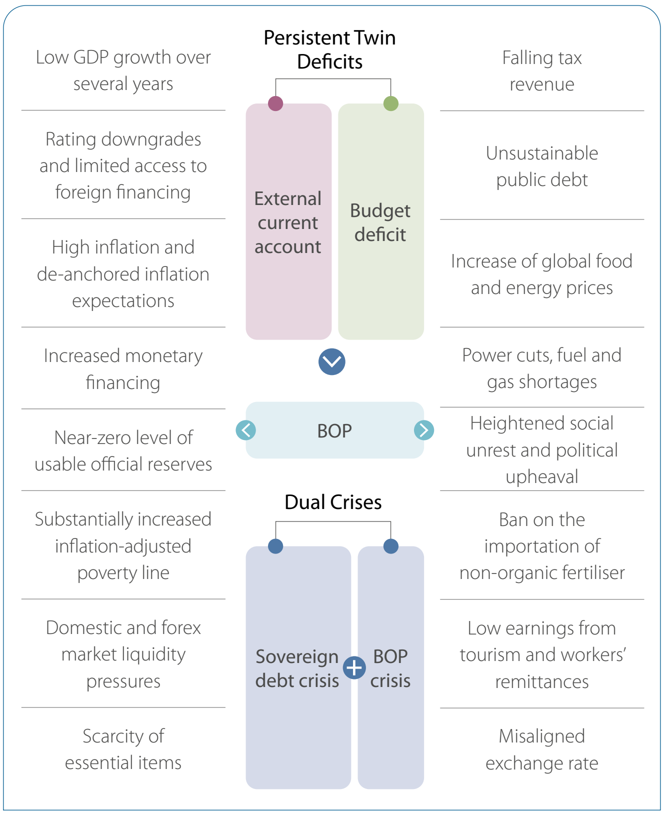
Although there were no pandemic related disruptions during the year under review, as a result of the high vaccination levels in the country, there were a multitude of challenges and macroeconomic pressures emanating from a precarious external financing position, including a severe fuel shortage, scarcity of essential commodities including food and medicines, and disruptions to power supply. The financial year 2022/23 commenced with significant pressure on the Sri Lankan Rupee on the back of the free float of the currency in March 2022 and the significant tightening of the foreign exchange market which resulted in shortages of many essential commodities. The precarious foreign currency reserve position and the lack of liquidity in the foreign exchange markets prompted the Central Bank of Sri Lanka (CBSL) to implement a debt standstill in mid-April 2022, thereby suspending the servicing of external debt, as an interim measure, while soliciting support from official and private creditors to restructure outstanding debt. In this backdrop, Sri Lanka moved to a pre-emptive default status, until such time progress is made on the debt restructuring process. This prompted a downgrading of the sovereign rating to restricted default (RD) or equivalent by all rating agencies which exacerbated the financial challenges within the country in the short-term, including a lack of foreign exchange liquidity in the domestic markets and challenges in obtaining bank funding lines. In addition, as a result of the volatile environment, tourist arrivals to the country, which was witnessing an encouraging post-pandemic recovery, recorded a sharp slow-down due to multiple travel advisories issued.

The economic turmoil driven by the aforementioned macroeconomic pressures, further exacerbated by the continuing steep depreciation of the Rupee during the first quarter of the year, in particular, and unprecedented levels of inflation and interest rates locally, gave rise to social unrest and political uncertainty, culminating in the resignation of both the Prime Minister and the President within a period of two months in mid-July 2022. In line with the relevant constitutional and parliamentary procedures, a new President was appointed in July 2022, and thereafter, a Prime Minister and a Cabinet.

The significant balance of payment (BOP) pressures with an acute shortage of foreign exchange liquidity, spiralling inflation and dampened economic activity amidst loss of livelihoods, large fiscal imbalances, unsustainable levels of public debt with high risk premia necessitated much needed corrective policy actions for the economy, which the CBSL and Ministry of Finance progressively rolled out throughout the subsequent quarters, as elaborated in the following section.

> "The socio-economic crisis in 2022 underlined many lessons that the country failed to grasp, despite the recurrence of such macroeconomic failures throughout its post-independence history. This economic episode reiterated the essentiality of data-driven policymaking; devastating implications of ad hoc policy experiments; crippling welfare impacts of myopic populist policies; and the cost of policy delays, disregarding evidence-based policy analysis, well-established economic fundamentals and expert opinions."
>
> *Source: Central Bank of Sri Lanka, Annual Report 2022.*

Socio-Economic Crisis at a Glance



Source: Central Bank of Sri Lanka, Annual Report CY2022.

EXTERNAL ENVIRONMENT

In September 2022, Sri Lanka reached a staff level agreement on an Extended Fund Facility (EFF) arrangement of ~USD 3 billion with the International Monetary Fund (IMF), subject to Sri Lanka's meeting a series of conditions that included tightening its fiscal and monetary policies, public sector reforms and restructuring of debt with its main international creditors.

To address the macroeconomic imbalances and ensure public debt sustainability, the Government implemented a progressive economic reform programme that included several difficult, but much required, measures to revive the economy and overcome the worst economic crisis faced by the country. In terms of monetary policy actions, the CSBL undertook significant policy rate hikes to curtail spiralling inflation and support the currency. On the fiscal front, significant increases in both direct and indirect tax rates were announced. Measures such as fuel pricing adjustments and revisions to increase electricity tariffs to have market reflective pricing mechanisms to reduce the cost of subsidies to the Government were also rolled out. A fuel rationing scheme was successfully implemented to ensure an equitable and consistent distribution across the country, to address the fuel shortage. The reduction in consumption of fuel due to these actions, together with the drop in global fuel and commodity prices also created some space in terms of funding other critical import requirements.

The deteriorating macroeconomic conditions coupled with the rising costs of living also resulted in increased migration, particularly in younger segments of the workforce. Sri Lanka recorded 311,269 persons leaving the country in CY2022, the highest recorded in history.

With the objective of promoting a more progressive tax structure and with the aim of increasing the proportion of direct taxes to total taxes, the Government enacted the Inland Revenue (Amendment) Act. No. 45 of 2022 in December 2022, which significantly increased the income tax rates applicable for individuals and corporates and also curtailed exemptions provided under the Inland Revenue Act.

The Group is confident that Sri Lanka is on a path to recovery, given the many corrective policy measures and fiscal consolidation actions implemented, particularly, if these measures continue to be in place and sustained over a period of time.

Key Fiscal Policy Measures Implemented

- Standard income tax rate was increased to 30% from 24%, effective 1 October 2022.
- Exemptions and concessionary tax rates of 14% and 18% applicable on identified gains and profits and on select industries, were increased to 30% effective 1 October 2022.
- Capital gain tax (CGT) applicable on the realisation of investment assets was increased from 10% to 30%, effective 1 October 2022.
- Value added tax (VAT) was increased to 15%, effective 1 September 2022.
- Social security contribution levy (SSCL), a revenue based tax, of 2.5% was introduced with effect from 1 October 2022 on companies where annual revenue exceeds Rs.120 million. This tax is also payable on value of imports.
- Excise duties on cigarettes, alcoholic beverages, and petroleum products were increased effective January 2023.
- Revised the ports and airports development levy (PAL) for several imported items.
- Personal income tax - a mandatory advance payment of income tax (APIT) system was reintroduced with a concurrent reduction in personal allowances and increases in the progressive personal income tax rates up to 36%, as against the previous maximum of 18%, including narrowing of the slabs at which the progressive rates were applied.

After nearly a year of discussions, Sri Lanka received the much-anticipated approval from the Executive Board of the IMF for the EFF arrangement of ~USD 3 billion in March 2023 with the aim of restoring macroeconomic stability and debt sustainability. In April 2023, Sri Lanka received the initial tranche of ~USD 333 million.

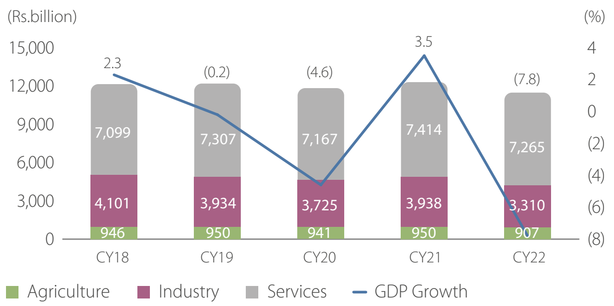
With the implementation of the various policy reforms and actions, the domestic economic environment, particularly the foreign exchange liquidity position in the country, witnessed an improvement from the peak stresses witnessed in the first and second quarters of the financial year. The securing of the IMF bailout package further reinforced the recovery momentum and overall confidence levels of the country, supported by political and social stability and significantly less disruptions on account of the macroeconomic challenges. The improving trade balance in the country and increases in tourism receipts and foreign currency remittances resulted in strong net inflows into the country from the fourth quarter onwards. With the banking sector clearing many of the backlogs and liquidity imbalances stemming from the sharp devaluation of the Rupee in the first half of the calendar year, the foreign currency liquidity position has reverted to normalcy, supported by lower imports and the suspension on servicing of foreign currency debts. These impacts, together with the impending EFF announcement resulted in the Sri Lankan Rupee witnessing an appreciation of ~10% in March 2023, which enabled the CBSL to remove some restrictions which were implemented in the market. Tourist arrivals to the country, which is a key catalyst to drive the recovery of the economy particularly in the context of the positive impact it will have on foreign exchange earnings, have also witnessed a gradual month-on-month recovery, although still significantly below pre-pandemic levels.

Whilst challenges pertaining to the sovereign credit rating and related financial challenges in the country, persist, the severe pressures on the domestic business environment as a result of the external financing and liquidity pressures have now eased, enabling a normal operating environment. The Group is confident that Sri Lanka is on a path to recovery, given the many corrective policy measures and fiscal consolidation actions implemented, particularly, if these measures continue to be in place and sustained over a period of time. The recent approval of the IMF EFF arrangement to support the country's efforts to stabilise its economy is also a significant boost of confidence and a positive signal to external stakeholders.

Refer Outlook for a detailed discussion on the short and long-term outlook for the macroeconomic environment, including on the Government's economic reform programme, the resultant impacts on the industries the Group operates in and the envisaged performance of Group businesses.

KEY MACROECONOMIC VARIABLES AFFECTING THE GROUP

GDP Growth



The Sri Lankan economy, based on GDP at constant (2015) market prices, contracted by 7.8% in CY2022, compared to the 3.5% growth recorded in the previous year.

Cause

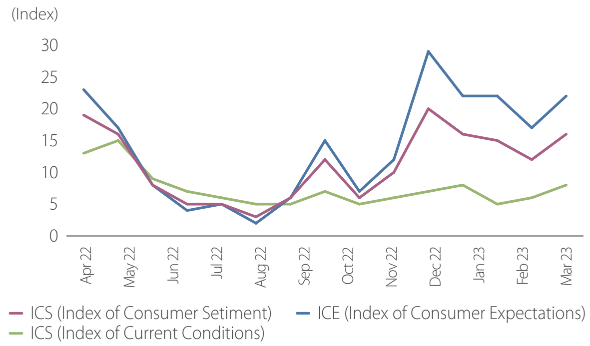
The economic slowdown was driven by a contraction across all three sectors – agriculture, industry, and services. The agriculture sector contracted by 4.6% in 2022, compared to 2021, mainly due to the severe shortage resulting from the import ban of chemical fertiliser and other agrochemicals, the rising cost of raw materials and supply chain disruptions. The 16.0% contraction in the industry sector was driven by weakened performance of the construction and manufacturing sub-sectors on the back of a stoppage of many public sector construction projects, severe raw material shortages and rising input costs. Impacts were also exacerbated by tighter monetary policy conditions and the energy crisis. The services sector recorded a contraction of 2.0%, driven by reduced trade, financial services, and real estate activities during the year.

In nominal terms, the economy recorded an expansion of 37.2% in CY2022 driven by spiralling inflation. Consumption expenditure expanded by 34.3% in CY2022 [CY2021: expansion of 8.4%] due to the price effect, largely contributing to the aforementioned overall nominal growth of the economy.

Impact to the John Keells Group

Despite the challenging environment, the Group recorded a strong growth in cash profits during the year. Whilst the impacts were more pronounced in the first quarter with significant challenges to businesses due to numerous disruptions on account of supply chain disruptions and a decline in overall activity, activity noted an improvement across the quarters in tandem with the macroeconomy, thereby reaching levels of normalcy towards the fourth quarter, other than for the Group's consumer facing businesses. Given the volatile nature of economic conditions, businesses continued to place emphasis on reviewing expansion plans while all non-essential capex was curtailed.

Consumer Confidence



The consumer confidence indices of the Institute for Health Policy noted significant improvements during the year, although all remain at pessimistic levels. The indices range from zero to a potential maximum 100, with levels below 50 indicating net pessimism.

- The Index of Consumer Sentiment (ICS), the broadest measure of the public's view on their personal economic status and the national economy increased from 5 points in April 2022 to 16 points by March 2023.
- The Index of Consumer Expectation (ICE), a measure of perceptions about the future, improved from 4 points in April 2022 to 22 points in March 2023.
- The Index of Consumer Conditions (ICC), a measure of perceptions about current conditions increased marginally from 7 points in April 2022 to 8 points in March 2023.

Cause

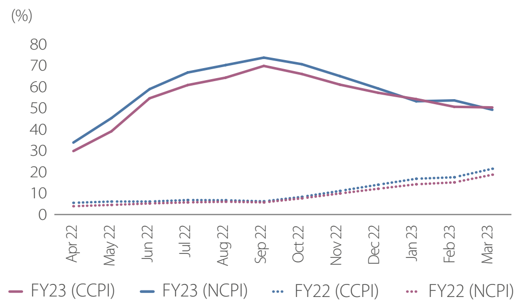
Consumer sentiment noted a steep decline from February 2022 onwards, on the back of the fuel and power crisis, the steep depreciation of the Rupee, increased impacts from the foreign exchange shortage and the socio-political crisis. The declining trend noted a reversal following the change in Government, and thereafter a gradual improvement in line with the macroeconomic reforms and actions rolled out. The IMF funding agreement with Sri Lanka which was approved in March 2023 coupled with other associated positive economic signals also influenced public perceptions positively. However, the impact and outlook on consumer spend on account of the fiscal and monetary tightening measures, including higher taxation, and elevated inflation are somewhat uncertain.

Impact to the John Keells Group

The decline in consumer sentiment was mirrored through Group performance, particularly the Group's consumer facing businesses. Lacklustre sentiment during the year under review impacted the demand for products and sales in the Frozen Confectionery, Beverages, Convenience Foods and Supermarket businesses in the second half of the financial year.

EXTERNAL ENVIRONMENT

Inflation



Year-on-year headline inflation, based on the NCPI, was 49.2% in March 2023 compared to 33.8% in April 2022.

Cause

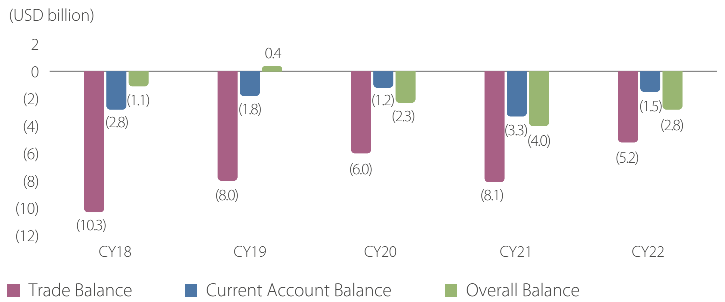
As per the IMF, global inflation surged to 8.8% in CY2022 driven by the delayed effects of the dovish monetary and fiscal policy response to the Covid-19 pandemic, commodity shortages, supply chain disruptions, capacity limitations and the Russia-Ukraine War. General price levels in Sri Lanka, as demonstrated through headline and core inflation recorded a significant increase during the year. Reduced agricultural production on the back of the lagged effect of the ban on imported fertiliser which impacted supply of crops, price hikes in food, energy, and transport sectors stemming from supply disruptions, rapid adjustments to administered prices, the marked depreciation of the Rupee in March 2022, and aggregate demand pressures owing to the lagged impact of monetary accommodation undertaken over the past few years coupled with a myriad of vulnerabilities that emanated from global sources drove inflation. However, inflation noted a gradual slowdown in the second half considering a significant portion of inflation was driven by the currency adjustment which was largely one-off during the early part of the financial year.

Impact to the John Keells Group

On the demand side, significant inflationary pressure during the year under review adversely impacted purchasing power of consumers which had negative impacts on the Group's consumer facing businesses. The shift in demand for cheaper alternatives or smaller pack sizes had multiple implications across the Group, including creating opportunities in some segments.

Inflationary impacts also impacted the cost base of the Group, which resulted in an erosion of margins. This was evident across a majority of Group businesses. The gradual tapering of inflation towards the latter end of the year under review, reduction in global commodity prices and a less disruptive operating environment are envisaged to ease the pressure on margins, particularly in tandem with the depletion of raw material inventory acquired at higher costs.

Balance of Payment



Gross official reserves declined to USD 1.9 billion as at December 2022, in comparison to USD 3.1 billion recorded in the previous year. However, official reserves noted an improvement thereafter, with Sri Lanka's official reserve assets at USD 2.7 billion as at April 2023. The reserves as at Dec 2022 and Apr 2023 included the swap facility from the People's Bank of China equivalent to ~USD 1.4 billion, which is subject to conditionalities on its usability.

Outstanding central Government debt from foreign sources increased to 51.6% of GDP as opposed to 37.0% in CY2021.

Cause

Sri Lanka encountered significant balance of payment pressures due to limited foreign financial inflows, depleted gross official reserves, the steep depreciation of the Rupee and shortages in foreign exchange liquidity in the domestic market, among others. In response, various policy measures were implemented to curb foreign exchange outflows and incentivise inflows, including suspension of servicing of external debt for an interim period from mid-April 2022, temporary suspension of certain imports and payment terms and limitations on foreign exchange outflows. Targeted incentives were also introduced to encourage workers' remittances and foreign inflows. Such interventions induced a contraction in the trade deficit towards the latter half of the year, on the back of reduced import expenditure and robust export earnings. Accordingly, the current account deficit narrowed to 1.9% of GDP in 2022 from 3.7% in 2021.

Although some net foreign investment inflows into the Colombo Stock Exchange and Government securities market were noted during the year, inflows to the financial account remained modest. As of end-CY2022, Sri Lanka's total external debt stood at USD 49.7 billion, compared to USD 51.8 billion recorded in end-CY2021, reflecting the impact of limited access to foreign funding sources.

Impact to the John Keells Group

The Group adopted prudent measures, as and when required, to manage the impacts arising from liquidity constraints and currency depreciation by matching liabilities with corresponding foreign currency inflows to the extent possible. Operations of businesses with foreign currency obligations such as in the Consumer Foods, Retail and Property industry groups were impacted more severely, although the strong balance sheet of the Group and cash reserves aided in navigating the year under review.

Cash flow management remained a key area of focus for the Group, given the supply chain disruptions, foreign exchange liquidity concerns and limited market credit which materialised as a result of the BOP crisis. Concerns emanating from the sovereign downgrade, including suppliers curtailing extended credit, further increased the funding requirements of the Group.

INSIGHTS

The external sector faced unprecedented challenges in CY2022

2022

07 Mar Allowed a measured adjustment in the exchange rate

12 Apr Announcement of external debt standstill

06 May Restrictions on payment terms for imports

13 May Commencement of daily exchange rate guidance with a band

19 May Introduction of margin deposit requirement

23 Aug Temporary suspension of selected imports

01 Sep Reaching IMF staff level agreement

2023

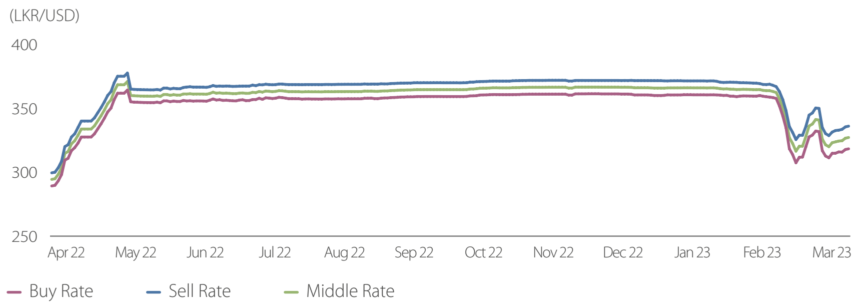
07 Mar Revocation of exchange rate guidance and mandatory forex sales requirement by banks

20 Mar Executive Board approval for the IMF-EFF

Source: Central Bank of Sri Lanka, Annual Report CY2022.

Refer the Industry Group Review of the Leisure industry group for a detailed discussion on the tourism sector.

Exchange Rates



The average LKR/USD exchange rate in 2022/23 based on the mid exchange rates published by the CBSL, stood at Rs.358.05 in contrast to Rs.205.10 in 2021/22.

Cause

The Rupee recorded a steep depreciation immediately preceding the start of the financial year, with the exchange rate increasing from Rs.201.46 in January 2022 to Rs.255.81 in March 2022. The pressure on the Rupee continued during the year with the rate peaking at ~Rs.360.00, with significant volatility during certain periods of the financial year. The foreign exchange market was largely inactive and illiquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, the Rupee noted a gradual strengthening towards the fourth quarter of the year under review, driven by an improvement in the trade surplus given the sharp contraction of imports due to the contractionary fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. Steady foreign currency inflows to the services sector, workers' remittances, and financial flows to portfolio investments, as well as the return of market confidence with the finalisation of the IMF-EFF arrangement, aided this recovery in early March 2023.

Impact to the John Keells Group

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

The Holding Company has foreign currency cash holdings earmarked for equity infusions to the 'Cinnamon Life Integrated Resort' project and funds raised for the Group's investment pipeline via the IFC long-term loan facility, the private placement of ordinary shares to ADB and the issue of convertible debentures to HWIC Asia Fund. As a result, the Holding Company recorded significant foreign exchange gains on its net USD cash holdings. The steep depreciation of the Rupee resulted in a notable translation impact on the Group's foreign currency denominated liabilities and related payments, including the IFC Loan, notwithstanding the partial hedge against foreign currency denominated assets.

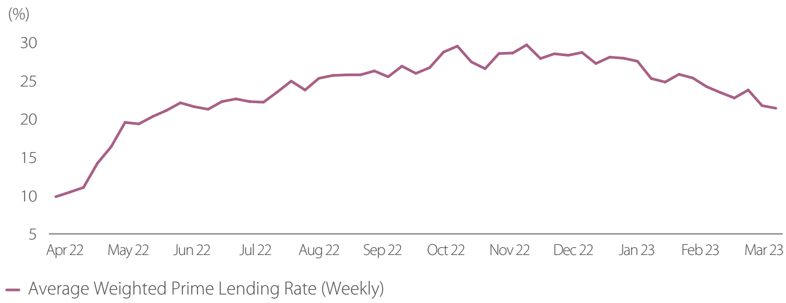
The depreciation also contributed to a significant increase in costs of imported raw material and goods which negatively impacted the cost base on the Group. This was more pronounced in the Consumer Foods business which took proactive steps to mitigate exchange rate risks, where possible.

At a Group level, the translation risk on foreign currency debt is largely hedged 'naturally' as a result of the conscious strategy of maintaining USD cash balances at the Holding Company whilst also ensuring obligations can be managed through USD denominated revenue streams.

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

EXTERNAL ENVIRONMENT

Domestic Interest Rates



The Average Weighted Prime Lending Rate (AWPLR) increased from 9.85% in April 2022 to 23.45% in March 2023.

The 3-month treasury bill rate was 25.99% in March 2023 compared to 12.99% in March 2022.

Cause

During the year under review, the CBSL adopted a contractionary monetary policy stance with the aim of addressing rising inflationary pressures, external sector vulnerabilities, preventing hyperinflation and prolonged loss in economic activity.

The upward trend in interest rates was more pronounced in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored into secondary market yields on Government securities and the shortage of liquidity.

In April 2022, the CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points to 13.5% and 14.5%, respectively. Following this, the SDFR and SLFR were further increased by 100 basis points each in July 2022 and March 2023, to 15.5% and 16.5%, respectively, to align the policy rates with the pre-requisites of the EFF arrangement with the IMF. The Statutory Reserve Ratio was maintained at 4% during the year under review.

The CBSL also implemented regulatory measures to tighten monetary conditions, such as removing maximum interest rates on certain lending products and foreign currency deposits. These measures enabled the effective implementation of policy interest rate changes, which contributed to the containment of inflationary pressures.

It is encouraging to note the improved liquidity position in the country following the decrease in interest rates during the last three months of the financial year on account of the reduced Government debt financing requirements.

Impact to the John Keells Group

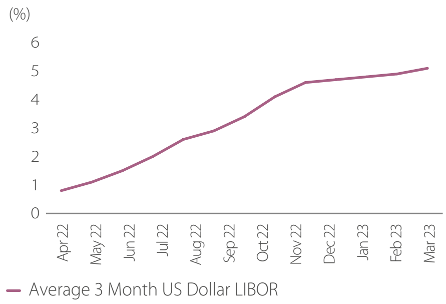
The Group, excluding its Insurance business, recorded an overall increase in finance income (excluding exchange gains and losses) on the back of higher interest rates, despite the decrease in Group cash and cash equivalents as discussed in detail under the Financial and Manufactured Capital section.

The Group's finance expense also noted an increase in tandem with the increase in interest rates.

The Group had mitigated the risk of increasing LKR interest rates, to an extent, as it had moved a sizeable portion of its short-term facilities into long-term facilities, prior to the sharp upward movement in interest rates. A majority of such facilities were obtained on a fixed/capped rate basis. The sharp rise in interest rates also placed pressure on many businesses due to pressure on funding working capital requirements, particularly in the context of supply chain challenges which prevailed during the year.

The marked increase in interest rates also resulted in a shift in funds to debt from other investments such as real estate and equity. This was particularly evident in the Property industry group, where the business noted subdued interest in the sale of residential apartments.

Global Interest Rates



The 3-month US Dollar LIBOR was increased from 0.8% in March 2022 to 5.1% in March 2023.

Cause

The Federal Reserve Open Market Committee (FOMC) adopted a hawkish monetary policy during the year under review with the aim of containing the notable inflationary pressures in the US economy. The tightening cycle began in March 2022, the first interest rate hike in over three years. The Federal Reserve has raised the fed funds rate by 5 percentage points across 10 meetings since March 2022, with the Fed Fund Rate at 5.00%-5.25% by May 2023.

Impact to the John Keells Group

The Group noted a reduction in the Group's USD cash holdings which impacted the USD interest income of the Group, despite higher interest rates. The repayment of the USD 100 million six-month bridging loan facility in June 2022 at Waterfront Properties (Private) Limited (WPL), the project company of 'Cinnamon Life', obtained as part of the refinancing of the USD 395 million syndicate term loan facility, and the conscious conversion of USD cash holdings in line with the Group's funding strategy contributed to this reduction in cash holdings. It is noted that the repayment of the WPL bridging loan had no implications on the Group at a net debt level.

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

INDUSTRY GROUP REVIEW

TRANSPORTATION

Industry Group Structure

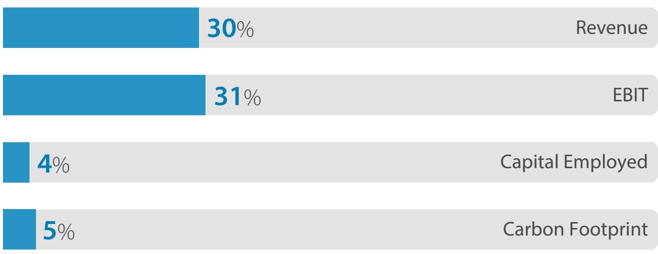
Ports and Shipping

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

Transportation

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

Contribution to the John Keells Group



Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	30,790	38,621	(20)	23,941
Total equity	17,891	18,962	(6)	18,291
Total debt[1]	8,610	12,680	(32)	3,663
Capital employed[2]	27,074	31,751	(15)	22,118
Employees[3] (No.)	465	538	(14)	512

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue[4]	94,281	43,816	115	26,584
EBIT	10,360	583	1,678	3,347
PBT	9,570	1,015	843	3,343
PAT	9,010	733	1,130	3,246
EBIT per employee	22	1	1,957	7
Carbon footprint (MT)	4,906	4,450	10	2,557

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

INDUSTRY GROUP REVIEW

TRANSPORTATION

External Environment and Operational Review

Macroeconomic Update

- Global trade of goods and services reached a record level of USD 32 trillion in CY2022, which is a 12% increase in comparison to CY2021. Growth was primarily driven by encouraging performance in the first half of CY2022. However, trade growth in the second half of CY2022, especially in the fourth quarter, was subpar on the back of geopolitical frictions, persistent inflation, and lower global demand as per the United Nations Conference on Trade and Development (UNCTAD).
- Merchandise trade stood at USD 25 trillion, a 10% increase against the previous year with merchandise trade volumes recording growth. UNCTAD has noted an increasing trend in the trade of green goods in CY2022 given the increased emphasis by countries to fight climate change and cut emissions.

For a detailed discussion, refer the Outlook section of the report on ***page 135****.*

Key Policy and Regulatory Highlights

- Corporate tax rates for the sector increased from 14% to 30%, with effect from October 2022.
- Effective June 2022, the Sri Lanka Ports Authority (SLPA) advised shipping lines to remit payments in US Dollars.
- The regulation on mandatory conversion of export proceeds which was imposed on service exporters in 2021/22 was revoked in September 2022.
- The International Maritime Organisation (IMO) introduced the IMO 2023 regulations, a new global shipping regulation, with the aim of reducing carbon emissions and promoting greater energy efficiency in the sea freight industry.
- In 2022/23, the Sri Lankan Government granted approval to supply fuel to the domestic market, primarily to exporters, power generation companies, tourism service providers, telecommunication service providers and subsequently to other industries.
- Six new bunker licenses were also issued by the Government during the year, although none of them have commenced operations as at the date of this Report.
- Several concessions were granted on the embarkation levy and landing and parking charges for new airlines and existing operators to attract more airlines to Sri Lankan airports in CY2022.
- The departure tax at the Colombo International Airport in Ratmalana was reduced by 50% to encourage low-cost carriers to Sri Lanka. This concession was effective from 27 March 2022 for a period of one year.

The entirety of the dredging works for both phases at WCT-1 is near complete.

Macroeconomic Update - Ports and Shipping

- The Port of Colombo (POC) handled 6.6 million twenty-foot equivalent units (TEUs) in 2022/23, a 10% decrease in TEUs handled against the previous year [2021/22: growth of 8%]. All terminals of the Port of Colombo recorded a decline in both cargo and container handling volumes on the back of global and domestic macroeconomic instabilities.
  - Domestic TEU volumes decreased by 22% during 2022/23 [2021/22: growth of 10%] whilst Transshipment volumes decreased by 7% in 2022/23 [2021/22: growth of 8%].
  - Domestic:transshipment mix stood at 14:86 for 2022/23 [2021/22: 16:84].
  - Overall POC capacity utilisation was ~78% for 2022/23 [2021/22: 86%].
- Capacity enhancements at the POC:
  - The construction of the second phase of the East Container Terminal (ECT) continued during CY2022. Extending across 75 hectares and a quay length of 1,320 meters, the ECT is stated to be completed by CY2024.
  - Construction work of the West Container Terminal (WCT-1) of the Colombo Port is progressing well, with 800 meters of quay length due to be operational in 2024/25.

  Refer the Ports and Shipping section for a detailed discussion on WCT-1.

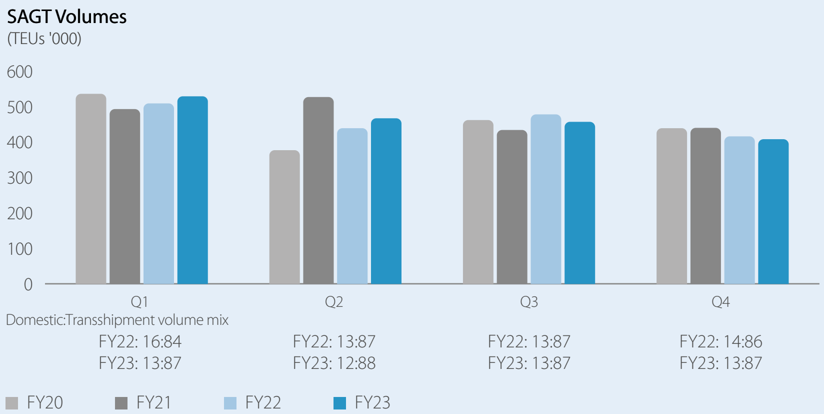
  - Upon the completion of both terminals, the estimated annual capacity of the POC is expected to enhance by ~6 - 6.5 million TEUs.
  - A feasibility study on the 'Colombo North Port Development Project' and the preliminary design and feasibility study to implement a new port communication system was also undertaken in CY2022.

Ports and Shipping

South Asia Gateway Terminals

During the year under review, the Group's Ports and Shipping business, SAGT, recorded a 7% decline in TEUs to 1.7 million TEUs [2021/22: 1.8 million TEUs] in contrast to the 10% decline recorded at the POC. The decline was primarily from domestic volumes which decreased by 15%, whilst transshipment volumes contracted by 6%.

INSIGHTS



- Volumes in the first quarter witnessed a decline of 5% in comparison to the same quarter of the previous year. This was primarily driven by a 20% decline in domestic volumes and a 2% decline in transshipment volumes on account of the import restrictions and other macroeconomic challenges that was evident in the first quarter of 2022/23.
- During the second quarter, SAGT witnessed a marginal improvement in overall volumes, driven by a 3% growth in transshipment volumes compared to the same quarter of the previous year.
- Volumes noted a 13% decline in the third quarter primarily due to global challenges, including the Russia-Ukraine conflict and the Covid-19 restrictions which were re-imposed in China.
- Trends witnessed in the third quarter continued to the fourth quarter, with volumes declining by 11% in tandem with the overall decline in volumes at the POC.

Despite the decline in overall volumes at the Port of Colombo and the macroeconomic challenges in terms of sourcing fuel, electricity, and outsourced services such as lashing, inter and intra trucking costs, the performance of SAGT was supported by higher revenue from ancillary operations and the depreciation of the Rupee against the previous year. Whilst electricity and fuel costs recorded an increase, significant cost savings were achieved through the rubber tyred gantry cranes (RTGs) hybrid conversion project completed in 2021/22.

SAGT operationalised two new quay cranes in June 2022 which increased the twin lift capability of the terminal to five cranes whilst considerably improving the quayside terminal efficiency. The business also implemented an interactive dashboard to provide a real-time overview of quay cranes to efficiently manage breakdowns. SAGT further introduced a secure performance dashboard with real-time access to quayside performance and an online e-Delivery Advice (e-DA) facility to improve the efficiency of the import container clearance process for its customers. The business has also invested in a fleet of the latest inter-terminal transfer (ITT) trucks to facilitate and guarantee the connection of transshipment containers.

SAGT operationalised two new quay cranes in June 2022 which considerably improved the quayside terminal efficiency.

AWARDS

- 'Most Progressive Port/Terminal towards Sustainability' awarded by the Global Ports Forum Awards 2022.
- 'Best Company with Sustainable Practices' awarded at the Maritime SheEO conference 2022.
- Received the following accolades at the 'Global Ports Forum Awards 2023':
  - Best Container Terminal for Environmental Protection Initiatives 2023.
  - Container Terminal with Best Safety Practices 2023.
- Finalist – 'Terminal Operator of the Year' of the Maritime Standard Awards 2022.

Colombo West International Container Terminal

The groundwork on the West Container Terminal (WCT-1) at the Port of Colombo is progressing well with the entirety of the dredging works for both phases near complete. The contract for the quay wall construction, a significant component of the overall construction works, was awarded in October 2022. Overall timelines for the project remain as originally envisaged.

The WCT-1, which has a lease period of 35 years, is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 800 meters as against the previous 600 meters, is slated to be operational by the third quarter of 2024/25. The extension of the quay length in Phase 1 facilitates the servicing of two large vessels concurrently, which will enable a higher throughput once Phase 1 is operational. The remainder of the terminal is expected to be completed by the third quarter of 2025/26.

The entirety of the dredging works for both phases at WCT-1 is near complete.

TRANSPORTATION

Inchcape Mackinnon Mackenzie Shipping

IMMS recorded a strong performance in its first full year of operations, with double digit growth in both revenue and jobs undertaken, albeit off a low base. The business was able to leverage on its worldwide shipping agency networks and domestic expertise to capture a sizeable market share in the shipping agency business. However, given the macroeconomic challenges, IMMS experienced reductions in casual caller volumes and bulk cargo imports. The business's primary focus of ship husbandry services performed relatively well in the first half of the year with the business gaining market share during the period. IMMS also commenced promotions on 'ISS Cruise' vertical and launched the Inchcape Marine survey and inspection service during the year under review.

Maersk Lanka

Maersk continued to secure its position as one of the largest shipping lines in the POC. The business performed well during the year on account of its new global strategy as a logistics service provider in addition to shipping services, the steep devaluation of the Rupee and favourable freight rates. The macroeconomic conditions in the country posed various cost pressures and liquidity challenges which impacted the business. The business undertook various cost management initiatives to minimise the impact on business.

AWARDS

- Gold award - 'Ocean Carriers (Main Liner Operators – Large Category)' awarded by the National Logistics Awards by Sri Lanka Logistics and Freight Forwarders Association (SLFFA).

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

Macroeconomic Update - Bunkering

- The price of Brent oil rose significantly in the first half of CY2022 mainly as a result of the geopolitical tension with Russia. The low global crude oil inventory and reduced supply resulted in the highest inflation-adjusted crude oil prices since CY2014. However, from the start of the second half of CY2022, prices followed a declining trend on account of the slowdown in global growth, aggressive monetary policies and continued Covid-19 restrictions in China.
- Given the declining crude oil prices, driven by oil supplies from Russia, Indian ports reduced prices during the fourth quarter of 2022/23, which impacted the Sri Lankan bunker market, with overall market volume declining by 9%.
  - As per Reuters, the largest oil supplier to India during April 2022-January 2023 continued to be Iraq, with Russia replacing Saudi Arabia as the second largest supplier.
- The Jaya Container Terminal (JCT) oil bank, operated by the SLPA, called RFPs (request for proposal) with the aim of increasing its storage capacity.

Bunkering

Given the challenging macroeconomic environment, the bunkering industry faced numerous challenges in procuring cargo from suppliers, which included restrictions in opening letters of credit (LCs), foreign exchange shortages and disruptions to doing business due to the country's sovereign rating downgrade. Competition from regional markets and the thinning out of local demand affected the market in the second half of the year under review. The market was also impacted due to increased competition from Indian ports. The Bunkering business of the Group, LMS, was no exception and was impacted in a similar manner. Despite the multitude of challenges faced, LMS recorded an 8% growth in volumes [2021/22: growth of 3%]. LMS continued to retain its market leadership position both in the West Coast and the Sri Lankan market.

LMS recorded a strong performance in the first half of the year driven by improved margins, on account of the steep increase in global fuel oil prices, as well as higher volumes for the year. However, performance in the second half of the year was impacted by the sharp decline in oil prices and the overall slowdown in bunker market volumes. The business continued to carefully determine cargo parcel sizes for import purposes, in order to avoid any over exposure of inventory.

Given the various challenges faced by market players in importing cargo during the year, LMS provided continuous supplies to its customers which enabled the business to improve market share. However, with the improvement in economic conditions and its competitors noting a gradual improvement, market share witnessed a marginal decline, although above the market share noted in the previous financial year.

In May 2022, the Government of Sri Lanka granted approval for licensed bunkering businesses to import and supply fuel oil to local industries to ensure continuity of operations in light of the fuel shortages in the country and ease the burden on Government supplies. LMS also provided fuel to such local industries which helped them navigate supply issues while these sales incrementally supported the overall volumes at LMS.

Logistics

The logistics arm of the Group, John Keells Logistics (JKLL), expanded its service offerings and customer base across new sectors. During the year under review, JKLL's third party logistics (3PL) business, enhanced the storage capacity of its warehouses by 26%, aided by internal optimisation strategies whilst maintaining the footprint in line with 2021/22.

JKLL faced significant challenges from power supply interruptions, fuel shortages, import restrictions and lower export volumes. However, the business continued to implement cost saving strategies, digitise and optimise its logistics value chain by leveraging on its newly implemented tier 1 warehouse management system (WMS) and other cost saving initiatives to provide customer-centric solutions for its clients.

Given the significant escalations in construction costs, JKLL decided not to pursue the 100,000 sq.ft. warehouse construction project in Raddolugama. Alternatively, a new 70,000 sq.ft. warehouse was onboarded on a rental basis during the year.

Despite the decline in both import and export volumes, JKLL was successful in penetrating the apparel and tyre industry verticals whilst further expanding into the e-commerce industry.

During 2022/23 no new warehouses were constructed. The existing warehouses were operating at ~90% capacity by the end of the financial year. Given the challenging macroeconomic environment, the business witnessed notable cost pressures, including an increase in rental rates stemming from the short supply of warehousing facilities in the market.

DHL Keells

DHL Keells (Private) Limited continued to maintain its market leadership position in 2022/23 despite the challenges encountered. The increase in freight rates as a part of its incremental yield and margin management initiatives was a significant driver of revenue during the year. Performance was also aided by the translation impact from the steep depreciation of the Rupee. However, the depreciation impacted the retail segment, which witnessed a decline during the year. Due to the macroeconomic crisis, new customer gains and active customer retention was a challenge in the small and medium sized enterprises (SMEs) segment and tele-sales channels.

DHL collaborated with LMS during the fuel crisis to ensure uninterrupted services were provided. DHL Keells also liaised with the DHL Commercial Airline (CAL) group to secure necessary assistance for inbound material and to maintain service consistency, given the payload restrictions imposed by airlines.

The business introduced a new clearance website to assist customers in obtaining information on the clearance process. Digital initiatives such as key accounts reporting tool (KART) and robotic process automations were implemented to simplify routine work and improve the customer experience, alongside other initiatives to streamline operational processes and enhance productivity.

Despite the multitude of challenges faced, LMS recorded an 8% growth in volumes. LMS continued to retain its market leadership position both in the West Coast and the Sri Lankan market.

AWARDS

Received the following awards from 'Great Place To Work':

- Gold Award - 'Best Multinational'
- Gold Award - 'Best Medium Sized Organisation'
- Recognised as one of the 'Top 40 Best Work Places' for the 8th consecutive time.

Received the following at the 'Stevie Awards':

- Silver Award – 'Sales Growth Achievement of the Year'
- Bronze Award – 'Back Office Customer Service Team of the Year'
- Bronze Award – 'Contact Centre of the Year'

Macroeconomic Update - Airlines and Other

- In CY2022, the performance of the civil aviation sector improved with the gradual restoration of global travel activity.
- Thirty-three international airlines and five domestic airlines were in operation in the country in CY2022.
- The construction of the new taxiway at the Colombo International Airport in Ratmalana was completed in March 2022.

For a detailed discussion on the tourism sector performance, refer the Leisure industry group review on ***page 63****.*

Airlines and Other

Businesses within the Airline segment was impacted by the lacklustre performance in tourist arrivals, particularly during the first half of the year. The segment witnessed an encouraging recovery towards the latter end of the year under review, in tandem with the revival of the tourism industry and the easing of macroeconomic pressures.

'Cinnamon Air' witnessed a recovery in the high-end segment, driven by increased contribution from local corporates and high-net-worth individuals. The airline operated ~45 charter flights per month on average from mid-December 2022 onwards. The scheduled flight operations which were suspended in March 2020, on account of the pandemic, recommenced operations in April 2022. However, the business was compelled to re-suspend operations due to the various socio-economic and socio-political challenges that materialised in the first half of 2022/23. The business will assess the demand for scheduled flights with a view to recommencing its scheduled services.

The performance of MAL was driven by increased flight frequencies given its enhanced relationships with airlines and new product offerings. The business also focused on new customer segments such as labour, migrant and student given the shift in demand. However, foreign currency remittances due to principals were affected by constraints in the foreign exchange market. MAL was successful in navigating such challenges through higher engagement and alternate solutions which led to renewed confidence in the business amongst principals.

MTL experienced a recovery in performance in tandem with an increase in demand for air travel. Devaluation of the local currency and restrictions in foreign currency transfers to airline principals contributed to an increase in airline ticket prices. However, a gradual easing off was noted following the appreciation of the Rupee. During the year, MTL recorded an improvement in market share.

Although MIF was able to onboard new customers under both the air and sea freight verticals during the year under review, the business was faced with multiple challenges. Various challenges on account of import restrictions, and foreign exchange constraints, coupled with the downgrading of the sovereign rating resulted in increased working capital requirements and a subdued performance of the freight vertical.

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'.

Frozen Confectionery

Bulk | Impulse

- Wide selection of Frozen Confectionery products, including the premium ice cream range 'Imorich', 'Feelgood' guilt-free frozen yoghurt range and other Impulse products such as stick, cone, and cup varieties.

Convenience Foods

- Processed meat products under the 'Keells-Krest' and 'Elephant House' brands.
- A range of crumbed and formed meat products under the 'Keells-Krest' brand.
- 'Keells-Krest Soya Meat', a plant-based product.

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

Contribution to the John Keells Group

- 10% Revenue
- 7% EBIT
- 3% Capital Employed
- 19% Carbon Footprint

Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	23,438	19,508	20	15,914
Total equity	11,052	9,531	16	8,755
Total debt[1]	6,536	3,114	110	2,546
Capital employed[2]	17,746	12,792	39	11,398
Employees[3] (No.)	1,363	1,363	-	1,402

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue	31,269	21,008	49	16,510
EBIT	2,210	2,516	(12)	2,459
PBT	1,164	2,347	(50)	2,297
PAT	1,745	1,925	(9)	2,156
EBIT per employee	2	2	(12)	2
Carbon footprint (MT)	19,284	19,581	(2)	17,619

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

External Environment and Operational Review

Macroeconomic Update

- As outlined under the 'External Environment' section of this Report, the year under review was characterised by unprecedented challenges which includes a surge in inflation, both globally and domestically, supply side disruptions including a power and energy crisis, notable uptick in policy rates as well as a steep depreciation of the Rupee. Whilst the economic volatility was more pronounced in the first half of the year under review, the second half witnessed a gradual improvement.

Key Policy and Regulatory Highlights

- The concessionary corporate income tax rate of 18% applicable to the manufacturing sector was increased to the standard corporate income tax rate of 30% with effect from 1 October 2022.
- The value added tax (VAT) rate was increased from 8% to 12% with effect from 1 June 2022, and thereafter increased to 15% effective from 1 September 2022.
- The Government imposed a social security contribution levy (SSCL) of 2.5% on annual taxable revenue exceeding Rs.120 million of taxable persons with effective from 1 October 2022.

*For a detailed discussion, refer the External Environment section of the report on **page 41**.*

The Consumer Foods industry group recorded a strong volume recovery during the first half of 2022/23 with volumes exceeding pre-pandemic levels. However, the performance in the second half of 2022/23 was negatively impacted by a decline in volumes and margin contraction across the businesses, given the adverse macroeconomic circumstances that prevailed during the year under review.

INSIGHTS

The challenges faced by the industry group during the year under review:

Supply-side Challenges

- The steep depreciation of the Rupee and unprecedented inflationary pressures led to a sharp increase in raw material prices.
- Import restrictions on account of the foreign currency shortage further exacerbated supply chain challenges, especially in sourcing raw materials essential for production. The resultant need for inventory buffers also exerted pressure on the working capital cycle.
- Significant increases in operational costs, including fuel, gas, electricity and salary costs adversely impacted margins and profits of the businesses.
- Financing costs were impacted by the significant increase in interest rates.
- Regular disruptions to power supply and fuel shortages posed additional operational challenges for the businesses.
- Restrictions on opening letters of credit (LCs) exerted pressure on working capital requirements of the businesses.

Demand-side Challenges

- The unprecedented rise in inflation had a significant impact on the disposable income of customers, leading to prioritisation of essential items over non-essential items.
- The increase in personal income tax rates from the fourth quarter of 2022/23 further impacted the purchasing power of consumers.
- The notable increase in direct and indirect costs coupled with the increase in VAT and the imposition of the SSCL, compelled the businesses to adopt price increases which impacted demand.
- The sharp increase in the cost of living resulted in a shift in consumer demand from larger pack sizes to smaller, more economically priced options.

Whilst the domestic macroeconomic conditions recorded substantial improvements during the second half of the year under review and day-to-day consumer and business activity reverted to levels of normalcy, consumer demand was relatively slow to rebound, thereby impacting the volumes of the businesses.

Beverages

Given the challenging operating environment, the Beverages business recorded a 5% decline in volumes during the year under review [2021/22: 22% growth]. This was driven by the CSD segment, which recorded a 7% decline in volumes in comparison to the growth of 18% recorded in the previous year. It is encouraging to note that both the Dairy and Fruit Juice segments recorded encouraging growth during the year under review, whilst the Water segment maintained steady volumes.

Volume Growth (%)	Beverages*		CSD Segment	
	FY23	FY22	FY23	FY22
First half	37	(1)**	32	(2)**
Second half	(31)	43***	(32)	35***

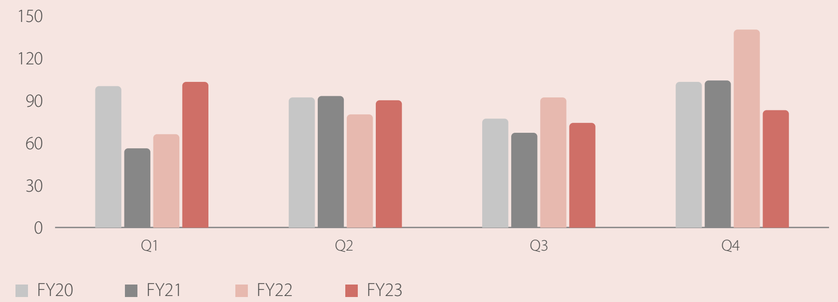
**More than 80% of volumes are attributed to the CSD segment.*
*** Volumes in the first half of 2021/22 were impacted by pandemic-related disruptions.*
**** Volumes in the second half of 2021/22 witnessed a recovery with the easing of Covid-19 restrictions.*

Note: The decline in volumes during the second half of 2022/23 can largely be attributed to the decline in demand on the back of the aftermath of the macroeconomic crisis during seasonal months.

CONSUMER FOODS

INSIGHTS

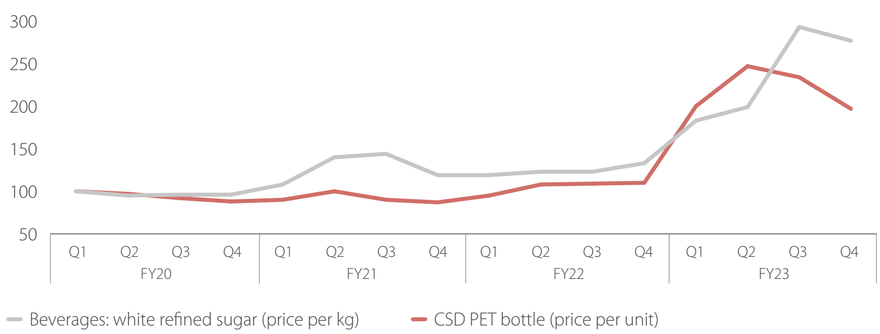
CSD Volumes
(Index: FY20 Q1 = 100)



- CSD volumes in the first and second quarters of the current year recorded a growth of 56% and 13%, respectively [2021/22: 18% growth and 14% negative growth, respectively], with volumes exceeding pre-pandemic levels. It should, however, be noted that volumes in both quarters of the previous year were impacted by pandemic-related disruptions and lockdowns.
- CSD volumes in the third quarter of 2022/23 recorded a decrease of 19% [2021/22: 37% growth] on account of the price increases undertaken in several stock keeping units (SKUs) to mitigate margin pressure together with declining consumer disposable incomes which dampened demand. It is noted that the volumes in the third quarter of 2021/22 also entailed volumes driven by 'pent up' demand, given the easing of pandemic-related restrictions, which affected the base and therefore the comparative growth in volumes.
- Consumer disposable income was further impacted by the increase in personal income taxes implemented from 1 January 2023. Accordingly, volumes in the fourth quarter of the year under review declined by 40%. The 34% growth in volumes in the fourth quarter of 2021/22 was driven by the easing of restrictions and improved consumer sentiment since the onset of the pandemic.

During the year under review, in addition to the decline in volumes, the performance of the Beverages business was significantly impacted due to increased pressure on margins, on the back of cost escalations in raw materials and packaging materials, which was largely a global phenomenon. Margin pressure was further exacerbated with rising inflation across all cost inputs in the country and the impact of the steep depreciation of the Rupee. However, the impact on margins were, to an extent, absorbed through price increases in select SKUs and forward buying of material, where possible. The operating leverage in the first two quarters of the year under review further supported the business to mitigate margin pressure.

Movement of Raw Material Prices
(Index: FY20 Q1 = 100)



Source: Internal company data.

As illustrated in the diagram below, global raw material prices continue to exhibit a declining trend, gradually reducing from its peak levels. This coupled with a decline in freight costs, the gradual easing of the country's foreign exchange liquidity position and improved raw material availability have positively impacted the margins of the business. Accordingly, pressure on margins has started to ease from the fourth quarter of 2022/23 onwards since the inventory sourced in the previous quarters at higher costs has largely been depleted.

The business introduced reduced pack sizes at affordable price points, such as the 250 ml bottle, which was launched to the market at a rate of Rs.100.00. This gained significant traction in the market, aiding the business to retain market share in a demand-elastic market. Further, the business implemented pre-selling strategies given the longer shelf life of products.

Products Launched

- 250 ml economic packs under the CSD segment.
- 'Cream Soda Kiwi Pop' under the CSD segment.
- 'Twisty Lemon' under the non-CSD segment.

To address operational cost pressures, in addition to increasing prices across SKUs, the business entered into forward contracts and booked consignments in advance to secure sufficient stocks and sustain production effectively. Forward procurement of fuel was carried out in order to ensure minimal interruptions to production. Cost efficiency and cost reduction programmes targeting packaging material and production processes at the factories were carried out, which aided the business in driving production efficiency and navigating the challenging market conditions.

The business continued to roll-out its advanced analytics transformation programme during the year, where several well-defined advanced analytics use cases earmarked for the Beverages business were successfully deployed. Preliminary results of these pilot projects are promising, with strong indication that the anticipated benefits that were evident through the initial pilot projects can be sustained at scale. These use cases focus on improving efficiencies across the supply chain.

Returnable glass bottles (RGB) declined in volumes due to restrictions in movement caused by fuel shortages and social unrest, while polyethylene terephthalate (PET) bottles noted a growth. The PET: RGB mix stood at 89:11 during the year under review in comparison to 90:10 in 2021/22.

The business was able to achieve efficiency gains by addressing aspects such as changeover time in packaging and production capacity. To this end, the PET capacity was improved during the year under review by converting a previously underutilised glass line into a PET line, thereby optimising production.

84:16

CSD: Non-CSD Volume Mix

2021/22: 86:14

Despite the challenges, the business maintained the distributor network by implementing effective planning and brand building strategies. The credit risk and exposures of distributors were managed through rigorous and more frequent monitoring of credit limits. The business placed strategic focus on increasing its distribution efficiency by proactively engaging and monitoring distributors through integrated digital platforms. New business intelligence (BI) dashboards were implemented along with the digitisation of the field sales process, which included geotag locations, among other features.

AWARDS

- SLIM Brand Excellence Awards 2022:
  - Gold award – 'Agile Brand of the Year' awarded to 'Elephant House Ginger Beer'.
  - Bronze award – 'Turnaround Brand of the Year' awarded to 'Elephant House Ginger Beer'.
- Gold award - 'Best Use of Branded Content' at the SLIM Digis awarded to 'Elephant House'.
- 'Elephant House Cream Soda' and 'Elephant House Ginger Beer' was ranked first and third as 'Brand Finance Most Loved Brands 2022' in the Beverages category.

Frozen Confectionery

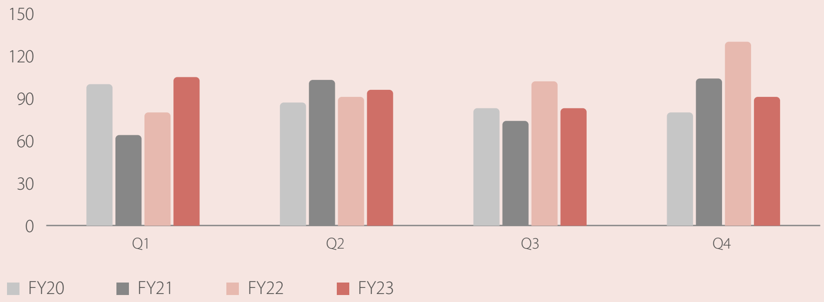
Similar to the Beverages business, the Frozen Confectionery (FC) business faced a multitude of challenges stemming from various factors, such as inflationary pressures, foreign currency shortages, fuel scarcities, and power supply disruptions during the year under review. Whilst the overall market recorded a double-digit decline in volumes, the FC business recorded a decrease of 7% in volumes [2021/22: 17% growth].

It is encouraging to note that the Impulse segment recorded a 10% growth during the year, primarily attributed to the relatively lower and more affordable price points of Impulse products [2021/22: 26% growth]. The Bulk segment recorded a 15% decline in volumes, mainly attributable to subdued demand during the seasonal months [2021/22: 13% growth].

INSIGHTS

Frozen Confectionery Volumes

(Index: FY20 Q1 = 100)



- The FC business exhibited a robust growth momentum, with volumes increasing by 31% in the first quarter of the year under review in comparison to the previous year. This growth was attributable to the recovery momentum following the pandemic. It is noted that the performance in the corresponding period of the previous year was affected by pandemic-related disruptions.
- During the second quarter of 2022/23, the FC business recorded a growth of 6% driven by the Impulse segment. In contrast, volumes declined by 12% in the corresponding quarter of 2021/22, which was adversely affected by the rapid spread of Covid-19 in mid-August 2021.
- Accordingly, the FC business recorded an encouraging growth of 18% in the first half of the year under review, in comparison to the growth of 2% recorded in the first half of 2021/22.
- To mitigate the increase in raw material prices, the FC business undertook price increases on several SKUs. This had an impact on demand, as price increases in the challenging macroeconomic environment further reduced purchasing power. Accordingly, the FC business experienced a decline in volumes of 19% in the third quarter of the year under review. This is in contrast to the strong performance in the comparative quarter of the previous year, which was driven by improved consumer sentiment post the easing of pandemic-related restrictions. It is noted that the volumes in the third quarter of 2021/22 also entailed volumes driven by 'pent up' demand, given the easing of pandemic-related restrictions, which affected the base and therefore the comparative growth in volumes.
- The negative momentum continued into the fourth quarter of 2022/23, with volumes declining by 30% during the quarter. This was a considerable decline compared to the 25% increase in volumes recorded in the fourth quarter of 2021/22. It is noted that the FC business achieved its highest monthly sales volume in March 2022. In contrast, the seasonal months during the year under review were adversely affected as consumers limited their spending.
- Accordingly, during the second half of 2022/23, the FC business recorded a negative growth of 25% in comparison to the growth of 30% recorded in the second half of 2021/22.

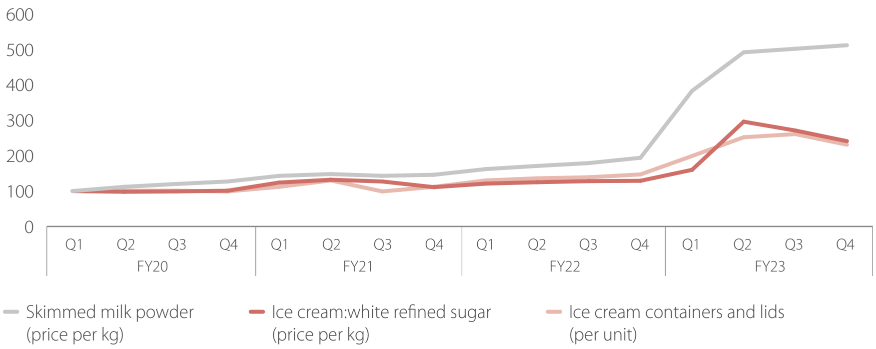
INDUSTRY GROUP REVIEW

CONSUMER FOODS

As envisaged in line with the long-term strategy of the business and in line with the trends witnessed in regional markets, the FC business witnessed an increase in the volume contribution from the Impulse segment during the year. Accordingly, the Bulk:Impulse volume mix for the year stood at 62:38, compared to 68:32 recorded in the previous year. This shift in the volume mix was mainly driven by the affordable price points of Impulse products, especially given the economic downturn, while seasonality sales of Bulk products were impacted.

During the year under review, similar to the Beverages business, the FC business faced substantial cost escalations in raw materials and packaging materials, which in turn impacted margins. In order to mitigate the impact of these cost increases, the business increased the prices of SKUs across the portfolio.

Movement of Raw Material Prices
(Index: FY20 Q1 = 100)



Source: Internal company data.

During the fourth quarter of 2022/23, the FC business experienced an improvement in global supply chains, resulting in better availability of products, along with a favourable macroeconomic environment given the increased foreign currency availability and relaxed import restrictions.

The premium ice cream range 'Imorich'.

62:38
Bulk:Impulse Volume Mix
2021/22: 68:32

Products Launched

- Popsicles: Major Max Strawberry stick.
- Tubs: Raspberry Cheesecake and Hazelnut and Chocolate one litre 'Imorich' tubs.
- Cones: Pani Kadju and 'Imorich' Waffle cones.
- Ice cubes.

The amalgamation of the Bulk and Impulse distributors into a common distribution channel, supported distributor performance and credit risk management. In light of the macroeconomic challenges, the business conducted weekly reviews of costs and cash flow movements and implemented measures to curtail expenses.

Despite the operational challenges, the business maintained its distributor network through effective planning and cost optimisation strategies, as well as by absorbing tax increases imposed on distributors. In order to manage credit risk and exposures of distributors, the business monitored credit limits more frequently. The business placed strategic focus on increasing its distribution efficiency by proactively engaging and monitoring distributors through integrated digital platforms while pursuing route optimisation. To this end, new BI dashboards were implemented along with field sales process digitisation and automated discount approvals via the distributor management system implemented in 2021/22. The FC business continued to roll-out its advanced analytics transformation programme during the year, where one use case earmarked for the FC business was rolled out. Another use case is currently at a pilot implementation stage.

AWARDS

- 'Best Ethical Trading Exporter' in the medium category at the National Chamber of Exports Awards 2022.
- Gold award – 'Confectionery Products' in the medium category at the National Chamber of Exports Awards 2022.
- 'Elephant House' was ranked first in the FMCG category of 'Brand Finance Most Loved Brands 2022'.

Convenience Foods

Keells Food Products (KFP) recorded a 22% decline in volumes during 2022/23 on account of the challenges stemming from the volatile macroeconomic conditions, including the sharp rise in input costs [2021/22: 12% growth]. The volumes of the Convenience Foods business remained steady during the first half of the year against the comparative period of the previous year. However, during the second half of the year, volumes declined by 40% against that recorded in the second half of 2021/22.

The business experienced pressure on its margins during the year under review, primarily due to the significant cost escalations in raw materials and packaging materials. The cost escalations were particularly evident in chicken and pork, which recorded significant cost increases due to the unavailability of animal feed caused by foreign exchange constraints. Utility, salaries and fuel rate hikes, coupled with increases in taxes further compounded the pressure on margins.

To mitigate the impact of these cost escalations, the business implemented price increases across all SKUs. Furthermore, the business introduced economic value packs as an aggressive retail drive to ensure the availability of products. 'Value for money' products ranging from 70, 325, and 350 grams at affordable prices were launched. Further, the business expanded its soya range, as a substitute for meat products and a source of nutrition across a range of flavours.

The newly introduced 'Crispy Chicken' thighs.

These measures were taken to maintain the competitiveness of the business and meet the evolving needs of its customers, especially during an economic downturn. To ensure minimal disruption to production, the business entered into forward contracts to secure stocks. This helped to mitigate any potential supply chain disruptions and ensure the continued availability of products. Despite the challenges faced, the business remained committed to providing high-quality products to its customers. The measures taken to address the cost escalations in raw materials and packing materials were necessary to ensure the sustainability of the business and maintain its positioning in the market.

Similar to the Beverages and FC businesses, the business witnessed a notable reduction in raw material prices towards the latter end of the year under review, on the back of the gradual improvement in macroeconomic circumstances.

Increase in prices of key raw materials:

Chicken

~52% — 2021/22 vs. 2022/23

~-20% — Q3 vs. Q4 2022/23

Palm Oil

~21% — 2021/22 vs. 2022/23

~-27% — Q3 vs. Q4 2022/23

Packaging Material

~113% — 2021/22 vs. 2022/23

~-4% — Q3 vs. Q4 2022/23

Source: Internal company data.

During the year under review, the business maintained its market share, calculated based on the retail sausages market, at ~60%. The retail sausages and meatballs categories recorded a negative growth in 2022/23, declining by 9% and 16%, respectively compared to a growth of 16% and 17% recorded in the previous year. The modern trade channel accounted for 32% of total volumes, while the general trade and hotels, restaurants, catering (HORECA) channels accounted for 40% and 15%, respectively. The Hotel channel demonstrated a recovery in volumes, driven by a gradual uptick in tourist arrivals, achieving a 23% growth rate compared to the preceding year.

The business's focus on growing the export channel augured well, with export volume noting a 62% increase during the year, albeit on a lower base. Growth was driven by existing markets such as the Maldives and the Middle East, as well as new markets such as Australia. The business is committed to pursuing export opportunities as a means of further enhancing its market position.

Products Launched

- Re-launched its kids sausage range, 'Frankie'.
- Launched 'Nai Miris' sausage range.
- Introduced 'Crispy Chicken' fillet strips and chicken thighs under the meat segment.
- A fish-based curry 'Maalu Curry' was launched.

KFP continued to innovate its digital integration by establishing a dedicated BI portal to improve sales and distribution of the business. The workflow management system that was implemented during 2021/22 continued to digitise operations ensuring a systematic process in capital expenditure approvals and recipe changes, amongst others.

The Convenience Foods business focuses on growing the export channel augured well, with export volume noting a 62% increase during the year, albeit on a lower base. Growth was driven by existing markets such as the Maldives and the Middle East, as well as new markets such as Australia.

RETAIL

Industry Group Structure

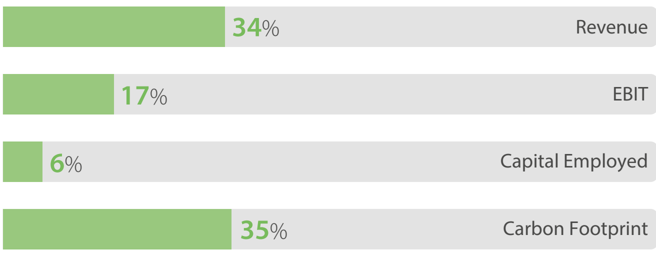
Supermarkets

- JayKay Marketing Services (Private) Limited (JMSL) operates the 'Keells' chain of modern retail outlets and the 'Nexus' loyalty programme.
  - 131 outlets across the island as at 31 March 2023.
  - ~2.1 million 'Nexus' loyalty card members.
  - Over ~290 'Keells' private label products.
  - 9 collection centres across the country working with ~2,700 active farmers.
  - Employment for ~6,000 individuals.
  - Marketplace for ~80 large and small-scale suppliers.
- The state-of-the-art distribution centre (DC), under LogiPark International (Private) Limited (LPI) centralising JMSL's offerings across the dry, fresh, and chilled categories.
  - A modern retail chain DC with the capacity to cater to over ~250 outlets.
  - Employment for ~500 individuals.

Office Automation

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

Contribution to the John Keells Group



Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	49,929	52,476	(5)	44,412
Total equity	3,725	3,487	7	4,795
Total debt[1]	20,510	15,342	34	13,048
Capital employed[2]	34,587	29,046	19	26,876
Employees[3] (No.)	6,757	6,295	7	5,864

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue	106,849	90,842	18	70,229
EBIT	5,678	4,928	15	3,287
PBT	558	7	8,207	1,818
PAT	1,296	(865)	250	1,569
EBIT per employee	1	1	7	1
Carbon footprint (MT)	36,359	36,230	0	33,168

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

External Environment and Operational Review

Macroeconomic Update

Industry Highlights

- As outlined under the External Environment section of this Report, the year under review was characterised by unprecedented challenges which included a surge in inflation, both globally and domestically, supply side disruptions including a power and energy crisis, notable uptick in policy rates as well as a steep depreciation of the Rupee. Whilst the economic volatility was more pronounced in the first half of the year under review, the second half witnessed a gradual improvement.

Key Policy and Regulatory Highlights

- The value added tax (VAT) rate was increased from 8% to 12%, with effect from 1 June 2022, and thereafter increased to15%, effective from 1 September 2022.
- The Government imposed a social security contribution levy (SSCL) of 2.5% on annual taxable revenue exceeding Rs.120 million of taxable persons, with effective from 1 October 2022.

For a detailed discussion, refer the External Environment section of the report on ***page 41****.*

Supermarkets

The Supermarket business remained resilient during the year under review, despite the challenging operating circumstances which entailed notable disruptions in supply chain and product availability, in particular. Whilst the revenue of the Supermarket business was supported by substantial price increases undertaken by suppliers, margins remained under pressure given the significant cost escalations in operations primarily due to the increase in electricity tariffs and staff costs.

INSIGHTS

The challenges encountered by the Supermarket business:

- The first half of 2022/23 was characterised by a hyperinflationary environment as well as the steep depreciation of the Rupee, resulting in a decline in purchasing power. As such, the business witnessed customers showing an increased focus on price when making purchasing decisions and a reduction in the number of items in their baskets.
- The business faced rising costs of freight and packaging materials due to inflation.
- The availability of certain stock keeping units (SKUs) were impacted due to the foreign currency liquidity shortages when importing, together with import restrictions, shipment delays, and stock outages.
- The stock holding costs of the business increased due to the lack of availability of items.
- Certain suppliers discontinued their business operations due to the macroeconomic challenges and resulting pressure on sustaining businesses.
- The increase in interest rates, corporate income tax, VAT and the imposition of SSCL, which is a revenue based tax similar to the nation building tax in force a few years ago, which directly increased costs, thereby impacting margins, while also having indirect implications on consumer disposable income.
- The increase in electricity tariffs and fuel costs, coupled with regular power outages in the first half of the year, increased the operational costs of the business.
- The volatile macroeconomic environment led to an increase in labour migration.
- The significant escalation in construction costs impacted the investment per outlet whilst the macroeconomic challenges impacted the expansion momentum of the outlet network.

JMSL undertook several measures during the year in response to the challenging macroeconomic environment:

- Given the notable shortages in essential goods and other fast-moving items, particularly in the first half of the year, the business continued to proactively ramp up its direct sourcing strategy, including the sourcing of import products with the aim of bridging inventory gaps and providing its customers with such products at the best possible value.
- The business significantly increased penetration of its private label range in order to manage inventory better and to provide customers with alternative 'value for money' options, which is an important decision driver for consumers, particularly in a high inflationary environment. The private label range is priced 10% lower than products listed with JMSL.
    - During the year under review, 29 new 'Keells' private label products were launched. However, certain SKUs had to be temporarily halted due to aforementioned challenges and shortages, resulting in the total SKU count at ~290 products as at 31 March 2023 [2021/22: ~340 SKUs].
    - Private label products accounted for 5% of revenue in 2022/23 [2021/22: 5%].
- During fuel shortages, the DC played a crucial role in centralising stocks and facilitating better stock management, resulting in an efficient management of transportation costs.
- Continuous negotiations with suppliers were held on sourcing essential SKUs in order to manage availability and affordability of items. JMSL demarcated specific teams for forward buying and to continuously engage in procuring stocks at an early stage, bulk buying and minimise the risk of stock-outs.
- The Supermarket business managed to re-negotiate margins with suppliers and mitigate the impact of SSCL to a large extent.
- JMSL also entered into forward buying contracts for building materials and other items required for the construction of 'Keells' outlets in the pipeline, where possible and feasible.
- Various measures were rolled to manage the liquidity requirement on foreign exchange including the promotion of foreign currency receipts through the online sales platforms and counters at outlets.

RETAIL

Despite the challenges outlined above, the business recorded growth in both footfall and average basket value (ABV) as depicted by the table below. For better insight to the business operations, it is pivotal to understand the quarterly movements of the below key performance indicators:

%	2022/23	2021/22
Same store footfall growth	28.3	4.5
ABV growth	15.1	8.0
Same store sales growth	47.6	12.9

The ABV of the fourth quarter of the year under review continued to reflect the same trend witnessed in the third quarter of 2022/23, with the drop in the WOP offset fully by the increase in the RSP.

INSIGHTS

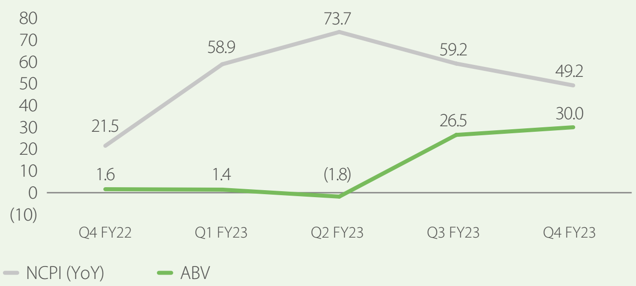
The table below provides the quarterly trend of key performance indicators. Given the pandemic-related disruptions, unprecedented inflation and change in shopping patterns resulting in shifts in frequency, basket items, and purchase patterns of customers, the statistics on footfall, sales growth, and basket values were distorted during the last few years.

2022/23 (%)	Q1	Q2	Q3	Q4
Same store footfall growth	52.2	76.9	11.1	0.1
ABV growth	1.4	(1.8)	26.5	30.0
Same store sales growth	54.2	73.7	40.6	30.1

Same Store Footfall Growth

- The business witnessed a conversion from general trade to modern trade, particularly in the first half of the year, given the ability for modern trade to ensure less disruptions to its supply chains through better management of its inventory and working capital. The ability to pass on benefits to consumers due to the scale of operations also aided the business. It should be noted that the first half of 2021/22 was impacted by outlet closures during periods of pandemic-related travel restrictions, which was offset to an extent by an increase in online sales.
- During the third quarter of the year under review, the business continued to onboard new customers into the 'Nexus' loyalty programme. Growth was driven by seasonal sales, improved availability of items and continued demand towards modern trade.
- Given that footfall in the fourth quarter of 2021/22 had already reverted to pre-pandemic levels and was in line with normalised operations, the footfall growth in the fourth quarter of the year under review was marginal.

Average Basket Value Growth
(%)



- The average basket value is derived based on the weight of purchase (WOP) and the retail selling price (RSP), with the WOP and inflation having an inverse relationship.
- During the first quarter of the year under review, the WOP dropped on account of reduced purchase of non-essential items due to notable inflation. The national consumer price index (NCPI) moved from 21.5% as at March 2022 to 58.9% as at June 2022. The increase in inflation resulted in an increase in the RSP, which in turn led to a ABV of 1.4% compared to the previous year, which recorded high basket values on account of online sales during Covid-19 lockdowns.
- The RSP increased in tandem with inflation whilst the WOP dropped inversely due to the reduction in spending on non-essential items during the second quarter of 2022/23 impacting the ABV growth.
- Despite inflation dropping from 73.7% in September 2022 to 59.2% in December 2022, the imposition of taxes on products resulted in an increase in the RSP. Despite the drop in the WOP on account of macroeconomic challenges, this was more than offset by the significant increases in RSP, which resulted in a net positive impact on the ABV.
- The ABV of the fourth quarter of the year under review continued to reflect the same trend witnessed in the third quarter of 2022/23, with the drop in the WOP offset fully by the increase in the RSP.

Same Store Sales Growth

- During the first half of 2022/23, the business recorded an increase in same store sales despite the challenging operating conditions. However, it is important to note that the comparative quarters of the previous year were impacted by pandemic-related disruptions.
- Same store sales grew during the third quarter of 2022/23 given the impact of high inflation and indirect tax increases on prices of items, notwithstanding the higher base. The third quarter of 2021/22 was characterised by higher same store sales on the back of the easing of restrictions resulting in the improvement of consumer sentiment and 'pent up' demand. This also translated to higher same store sales in the fourth quarter of 2021/22.
- Despite inflation moderating during the fourth quarter of 2022/23, prices remained relatively higher compared to the same quarter in the previous year, which resulted in an increase in same store sales during this period.

Outlet Expansion

During the year under review, the expansion of the outlet network was moderated due to the uncertainty and volatility of construction related costs. While the investment per outlet has increased significantly, the business is also seeing higher revenue per outlet which will in turn positively impact the feasibility studies of prospective outlets. During the year, four new outlets were opened whilst one outlet was closed, increasing the total outlet count to 131 outlets as of 31 March 2023. The business will continue to selectively expand its network, and such expansions in the outlet base will be considered on a case-by-case basis, with feasibilities stress-tested under sensitised scenarios.

In line with the brand expansion plans of the Supermarket business, where the business leverages on a standard and an extended format depending on the income levels of the locality, three outlets were upgraded to the extended 'iconic' format during the year under review. This concept for select 'Keells' outlets, is aimed at enhancing the overall customer experience through best-in-class retail technological solutions and a wider offering. Despite the additional investment associated with the conversion of the standard format outlets to the extended format, the payback on these investments based on incremental performance has been attractive. The outlets opened are similar to the first outlet opened at Lauries Road, Colombo, in December 2021.

Technology Offerings

- 'Scan & Go' technology
- Self-checkout capability
- Digital automated price tags
- Self-weighing scale
- Self-ordering kiosks for food

Food and Beverages Offerings

- 'Kafe' serving coffee, snacks and other beverages
- Chef's counter serving ready-to-eat meals
- Make your own pizza counter

The new fresh produce collection centre at Nuwara Eliya.

Offerings at 'Keells' extended 'iconic' format.

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

Product and Process Initiatives

- Distribution Centre (DC)
  - The state-of-the-art centralised DC in Kerawalapitiya, which commenced operations in January 2022, played a critical role in streamlining operations and ensuring inventory management across fresh, dry, and chilled categories. This was particularly important to navigate through the challenges stemming from macroeconomic conditions, such as fuel shortages and stock-outs.
  - The successful transition of all three categories to the Chilled DC, which commenced operating from June 2022, further enhanced operational efficiencies. However, the DC operations faced significant supply disruptions stemming from importers and manufacturers of goods.
- Advanced analytics transformation programme
  - During the year under review, identified use cases were fully rolled out, with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.
  - The effects of the adverse macroeconomic conditions on business operations necessitated a review of the timing of piloting and rolling out of select use cases. Despite these challenges, several use cases were successfully piloted, scaled and deployed.
  - The use cases included personalised promotions to customers and determination of the optimum order quantity, amongst others.

INDUSTRY GROUP REVIEW

RETAIL

- Collection centres
    - The business undertook initiatives aimed at expanding sourcing locations to enhance the availability of products and provide consumers with better pricing options. As a part of these efforts, the business established collection centres in Adhikarigama and Kuda Oya.
    - Further, in April 2023, a new fresh produce collection centre at Nuwara Eliya was opened with a fully automated vegetable washing line and drying machine.
- The business commenced direct exports of fresh produce in September 2022.
- Several new features were introduced at select outlets during the period under review. These features included a 'self-weighing scale', which allows customers to weigh items themselves, with a visual guided interface that makes the process user-friendly. In addition, the business replaced traditional price labels on shelves with digital automated price tags that update in real-time. This has resulted in an efficient and accurate price update process, as well as reduced printing costs.
- The adoption of cloud-enabled development has aided the deployment speed and scalability, where the business is able to scale up resources to handle seasonal loads and spikes in demand while monitoring costs.
- The business continued to focus on an omni-channel strategy to cater to different customer segments and needs.

AWARDS

- Ranked as the 'Strongest Brand in Sri Lanka 2022' for the first time in its history and the 'Most Valuable Supermarket Brand 2022' for the fourth consecutive year by Brand Finance Sri Lanka.
- Winner of the 'Sustainable Initiative of the Year', 'Supermarket of the Year' and 'Store Design of the Year' in the large category at the Retail Asia Awards 2022.
- Bronze award – 'Agile Brand of the Year' at SLIM Brand Excellence Awards 2022.
- Bronze award – 'Best Use of Technology in Marketing' and 'Cross Media Integration' at SLIM Digis.
- Recognised as one of Sri Lanka's 'Outstanding Women Friendly Workplaces' by the American Institute of Certified Public Accountants (AICPM) and Chartered Institute of Management Accountants (CIMA) and the winner in the honorary category 'She Grows' at the 'Women Work Friendly Awards 2022'.

JKOA showroom at the One Galle Face Mall.

Office Automation

The Office Automation business faced a number of severe challenges as a result of the macroeconomic crisis. These included import restrictions on non-essential items such as mobile phones and laptops, constraints on opening letters of credit due to the foreign exchange shortage and substantial increases in product pricing due to inflationary pressures and the steep depreciation of the Rupee. Additionally, the business had to endure notable delays in the supply chain due to shortages of imported components from principals. The copier and printer business segment similarly experienced a challenging period.

Despite these challenges, the Office Automation business was able to secure inventory and successfully launch new products to the market, surpassing its competitors. The business carried out digitisation initiatives during the year under review, including a website revamp and further augmenting automation and reporting tools that enable data-driven decision making. With the gradual stabilisation of the foreign currency liquidity position of the country since the third quarter of 2022/23, the volumes of the Office Automation business recorded a gradual improvement.

AWARDS

- Awarded the 'Special Sales Achievement' award by ViewSonic Taiwan.

Identified use cases were fully rolled out, with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions.

LEISURE

Industry Group Structure

Cinnamon Hotels & Resorts

Cinnamon Life Integrated Resort*

An iconic integrated resort, currently in development, which is envisaged to transform Colombo's tourism offering.

- 'Cinnamon Life Colombo', an 800-guest room hotel which includes 3 ballrooms, 7 meeting rooms, exhibition hall and a conference hall.
- Mall and entertainment space.

Colombo Hotels

- Two hotels offering ~24% of the five-star room capacity of Colombo.
  - 'Cinnamon Grand Colombo' - 501 rooms.
  - 'Cinnamon Lakeside Colombo' - 346 rooms.
- 'Cinnamon Red Colombo', a select service hotel in Colombo – 243 rooms.
- 24 restaurants run across the three properties.

Sri Lankan Resorts

- Resorts spread across prime tourist locations in Sri Lanka, leveraging on the natural diversity of the country.
  - 8 resort hotels.
  - 1,022 rooms.

Maldivian Resorts

- Resorts located across the Maldives offering unique experiences.
  - 4 resort hotels.
  - 454 rooms.

**The two residential apartment towers and the office tower of the 'Cinnamon Life Integrated Resort' is captured under the Property industry group review.*

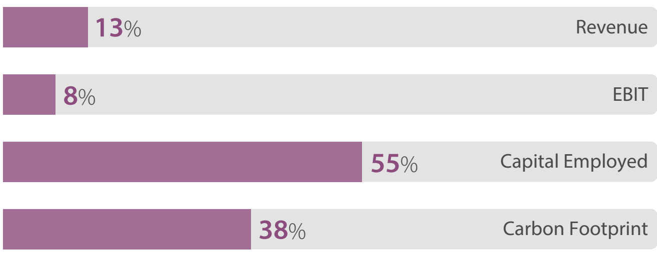
Hotel Management

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

Destination Management

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

Contribution to the John Keells Group



Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	364,081	121,567	199	98,324
Total equity	220,207	59,539	270	52,907
Total debt[1]	102,439	28,634	258	20,743
Capital employed[2]	345,455	110,782	212	89,765
Employees[3] (No.)	4,430	4,195	6	3,819

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue[4]	39,859	18,962	110	5,374
EBIT	2,637	(46)	5,848	(7,336)
PBT	(430)	(1,281)	66	(8,527)
PAT	(354)	(1,302)	73	(7,598)
EBIT per employee	1	(0)	5,543	(2)
Carbon footprint (MT)	39,237	32,018	23	24,360

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

LEISURE

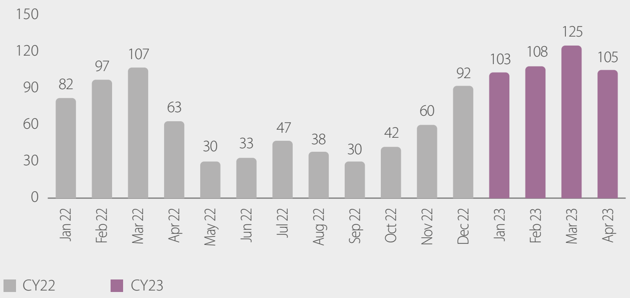
External Environment and Operational Review

Macroeconomic Update – Sri Lanka

Industry Highlights

- The arrival momentum witnessed in 2021/22 was hampered as a result of social unrest and political upheaval, particularly in the first half of the year under review.

Tourist Arrivals to Sri Lanka



- Tourist arrivals, which gained steady momentum from late CY2021 were hampered from March 2022 onwards, on the back of macroeconomic and socio-political tensions, and the resultant negative publicity and travel advisories issued by major source markets. The Russia-Ukraine crisis and the outward travel ban in China also exacerbated the impact and hindered the recovery in tourist arrivals.
- Tourist arrivals noted a gradual recovery from October 2022 onwards in tandem with the improvement in the domestic macroeconomy.
- Tourist arrivals to Sri Lanka stood at 719,978 for CY2022, an increase against the previous year [CY2021: 194,495 arrivals], although still significantly below pre-pandemic levels.
- Total arrivals from January to March 2023 stood at 335,679 arrivals, an 18% increase against the 285,334 arrivals recorded in the corresponding period of last year.
- Key source markets driving arrivals during CY2022 were India, followed by Russia, the United Kingdom, Germany, and France.
- For 2022/23, tourist arrivals stood at 770,323 arrivals, a 64% increase against the 470,200 arrivals recorded in 2021/22.

- Sri Lanka resumed the visa-on-arrival facility for a majority of international travellers from January 2022 onwards.

Key Policy and Regulatory Highlights

- In August 2022, the Government gazetted the regulations under the Casino Business (Regulations) Act of 2010 to formalise the process of issuing licences and monitoring casino operations in Sri Lanka and cited thereafter as the Casino Business Licensing Regulation No. 1 of 2022.
  - The new law outlines the procedure for application or renewal of a licence, matters to be considered in evaluation of an application, licence fee applicable, the grant of licence or its cancellation or surrender, obligations of the licence holder including the appointment of compliance officers, among others.
  - The fee for a licence or for the renewal of a licence for a period of five years or any part thereof is Rs.500 million. The license may be applied for a period spanning multiples of five years up to a maximum of 20 years.
- The concessionary corporate income tax rate of 14% applicable on businesses engaged in tourism was revised to the standard corporate income tax rate of 30% with effect from 1 October 2022.

Awards

Sri Lanka continued to gain traction during the year, securing numerous awards and accolades:

- Listed as one of the '23 Best Places to Visit in 2023' by Forbes Magazine.
- Recognised among the 'Top 20 Places to Travel 2022' by Readers' Choice awards by Conde Nast Traveller.
- Placed amongst 'Best Destinations to Travel in 2023' by Independent Magazine – UK.
- Accredited as 'One of the World's Safest Countries to Travel' by Worldpackers.

'Cinnamon Bentota Beach'.

Cinnamon Hotels & Resorts

The tourism industry of Sri Lanka has faced a multitude of challenges over the past four consecutive years, from the Easter Sunday terror attacks in April 2019, the Covid-19 pandemic thereafter, and most recently, the domestic macroeconomic and socio-political crisis. Although there were no pandemic induced disruptions during the year under review, the tourism industry continued to face various headwinds on the back of a volatile and uncertain domestic macroeconomic environment.

INSIGHTS

The key challenges faced by the Sri Lankan Leisure businesses during the year:

- The social unrest witnessed in Sri Lanka, driven by economic and political instability in the country, particularly in the first quarter of 2022/23, resulted in several source markets issuing travel advisories, which resulted in a decline in foreign tourist arrivals.
- Significant reduction in skilled staff at hotels and challenges in sourcing labour, primarily due to labour migration triggered by the socio-economic environment in the country.
- Domestic tourism was impacted due to social unrest, fuel shortages, as well as lower disposable income amongst households.
- The reimposition of the value added tax (VAT) on the leisure industry and the introduction of the social security contribution levy (SSCL) had an adverse impact on the rates offered to customers.
- Regular power outages for most parts of the year, higher fuel costs and the imposition of higher electricity tariffs increased utility costs of businesses.
- Record high inflation which persisted during the year exerted cost pressures and impacted margins; this also impacted customer sentiment and demand for leisure offerings.
- The increase in personal income tax rates in the fourth quarter of the year under review also contributed to a reduction in discretionary customer spending as outlined above.
- The slowdown in global growth on the back of cost of living pressures coupled with the high cost of air travel exerted pressure on arrivals.
- The ongoing conflict between Russia and Ukraine and the outward travel ban imposed on China during most parts of the year dampened global travel demand.
- The high interest rate regime exerted pressure on funding costs, primarily on loan facilities obtained to navigate the unprecedented challenges encountered by the leisure industry since April 2019.

Despite the volatile operational landscape, the Sri Lankan Leisure businesses recorded positive progress during the year, albeit off a lower base as the comparative year included the impacts of the Covid-19 pandemic. Given that rooms are priced in USD, the steep depreciation of the Rupee in March 2022 translated to better top line performance of the businesses. Margins in the Sri Lankan Leisure businesses were under pressure given the rising input and utility costs as yields did not pick up commensurately since the benefit of foreign currency revenue was limited due to the gradual recovery of tourism.

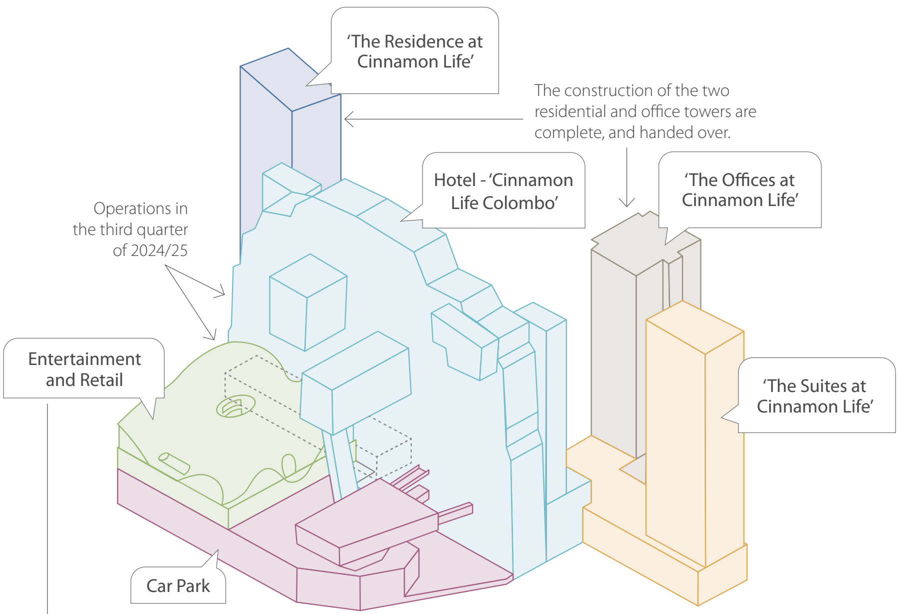
In tandem with the gradual improvement in macroeconomic conditions in the fourth quarter of 2022/23, the resultant relaxation of travel advisories and the ground situation gradually reverting to levels of normalcy, tourist arrivals recorded a notable pick up. The recovery trend in arrivals is expected to continue, particularly given the opening of the Chinese borders for international travel in January 2023 after a period of three years and the increase in frequencies of flights by a few major airlines. Sri Lanka continues to remain attractive as a tourist destination given its diverse landscape and unique offerings, with the added competitive advantage from a pricing perspective due to the significant depreciation of the Rupee.

AWARDS

- Gold award – 'Best CSR Project 2022' at the Pacific Asia Travel Association (PATA) awards.
- Gold award – 'Sustaining Employees and Communities through the Pandemic' at the World Travel Market (WTM) Responsible Tourism awards.
- Silver award – 'Best Performance Digital Marketing Campaign' at the SLIM Digis 2.2.

Cinnamon Life Integrated Resort

Completion Timelines and Offerings



- **retail mall** ~149,000 Sq. Ft of rentable space
- **entertainment space** ~160,000 Sq. Ft

Hotel - 'Cinnamon Life Colombo'

- **800** guest rooms
- exhibition hall
- conference hall
- **3** ballrooms
- **7** meeting rooms
- **2** lounges
- **4** pools
- **6** restaurants
- **5** bars
- **3** pool bars
- **4** wellness and fitness centres

Note: The two residential apartment towers and the office tower of the 'Cinnamon Life Integrated Resort' are captured under the Property industry group review.

LEISURE

The development of the hotel 'Cinnamon Life Colombo' and retail and entertainment components are progressing well with the fitouts and interior decorating of the hotel rooms and common areas well underway with ~500 rooms already completed. The 'Cinnamon Life Integrated Resort' is envisaged to be operational in the third quarter of 2024/25.

Refer the Property industry group review for a detailed discussion of progress, timelines and construction cost.

Cinnamon Life Colombo

Given that the operations of the hotel, 'Cinnamon Life Colombo' are envisaged to commence in the third quarter of 2024/25, the business continued to place emphasis on increasing awareness on the product and its offerings internationally. Various activities including participation in trade fairs, interviews and briefings to travel publications and direct marketing to selected market segments have commenced in promoting the product and the 'Cinnamon Life' brand. 'Cinnamon Life Integrated Resort' was formally launched at the Arabian Travel Market 2023 held in May with significant awareness and interest being generated.

The business, in the recent years, has put in place a management team with significant experience, both internationally and locally, in launching and managing integrated resorts of a similar nature. In furtherance of this, during the year under review, initiatives were also rolled out to attract employees, with the requisite skills to operate 'Cinnamon Life Colombo'. Implementing training and skill development platforms continued to be a key priority during the year, given the dynamic challenges entailing a project of this scale and offering.

'Cinnamon Life Integrated Resort'.

Retail

Discussions with potential tenants of the retail mall continued during the year, to ensure unique attractions and offerings, although arrangements were not finalised pending clarity on the gaming operator and related strategy. Various alternatives including experiential offerings focused on food and beverages (F&B), lifestyle and entertainment, which would complement the hotel and gaming operations, are being considered for the retail space.

Entertainment

Subsequent to the gazetting of the gaming regulations by the Government in August 2022, the Group is currently engaged in discussions with some leading international gaming operators to secure the necessary international gaming expertise to operate at 'Cinnamon Life Integrated Resort'. A lot of groundwork has been carried out by the parties, including detailed site visits, evaluation of the business case and operating model, fitout requirements, designs and timelines. The discussions are progressing well, where various commercial structures and arrangements are being negotiated. In the event 'Cinnamon Life Integrated Resort' is unable to obtain favourable terms to the Group's satisfaction, as an alternative, the Group will work on a model where the gaming entity sources the requisite international gaming expertise to operate at 'Cinnamon Life Integrated Resort', similar to how some other successful regional integrated resorts have established operations.

The envisaged structure of the gaming operations is that 'Cinnamon Life Integrated Resort' will lease space to the gaming entity, while a third party will invest in the gaming fitout. Based on discussions, it is estimated that the overall fitout of the gaming space will take a period of ~12-15 months once the commercial aspects and agreements are finalised. We are confident that the convergence of all elements in the launch of the integrated resort will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

Refer the Property industry group for a discussion on the construction progress and residential and office components of the 'Cinnamon Life Integrated Resort'. *- **page 69**.*

Colombo Hotels

In line with the overall industry, the Colombo Hotels segment was significantly impacted by the domestic macroeconomic crisis and the resultant downturn in foreign business travel including meetings, incentives, conferences and exhibitions (MICE) events, which led to a decline in occupancies and room rates. In tandem with the gradual resumption of tourism and business travel, the hotels witnessed a slow recovery in occupancy, with revenue per available room (RevPAR) measuring well against competition particularly in the fourth quarter of the year under review.

Colombo Hotels	2022/23				2022/23	2021/22
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	68	62	65	63	64	70
Occupancy (%)	33	29	43	62	42	29

Note:

- *Average Room Rates (ARRs) and Occupancy excludes 'Cinnamon Red Colombo' and 'Cinnamon Life Colombo'.*
- *Given market circumstances and demand during 2022/23, the business only operated 242 rooms of 'Cinnamon Grand Colombo', and the indicators reflected above are on a base of 242 operational rooms.*

Pressure on ARRs primarily stemmed from the performance of 'Cinnamon Lakeside Colombo'; 'Cinnamon Grand Colombo' commanded an ARR of ~USD 83 during the year, given the demand for MICE and the corporate segments.

Notwithstanding the challenges in the domestic economy, the restaurant and banqueting operations recorded a strong performance, driven primarily by domestic demand. The number of events and banquets also noted a steady uptick across the quarters while restaurant operations also recorded encouraging growth in covers in line with pre-pandemic levels of activity.

Sri Lankan Resorts

The impact of the challenging macroeconomic environment on the Sri Lankan Resorts segment was twofold:

- domestic tourism noted a significant decline on the back of a reduction in domestic spending power as well as the fuel shortages which curtailed domestic travel.
- foreign tourist arrivals were limited following the adverse travel advisories issued and the continued negative perceptions on the ground situation even post relative normalisation.

Against this backdrop, the segment experienced a decline in occupancies and ARRs. However, with more clarity on the macroeconomic front, easing of travel advisories and the resumption of tourism activities, in the fourth quarter of the year under review, the segment witnessed a rebound in occupancies, and to a lesser extent, ARRs. The segment witnessed a significant growth in RevPAR in the second half of the year under review.

Sri Lankan Resorts	2022/23				2022/23	2021/22
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	66	57	63	71	65	78
Occupancy (%)	33	31	38	62	41	32

The construction of 'Cinnamon Red Kandy', a joint venture with Indra Traders (Private) Limited, continued during the year despite the various challenges emanating from the domestic macroeconomic environment. These included issues in sourcing and mobilising labour, and escalations in construction costs primarily driven by the steep depreciation of the Rupee. The capital deployed for the project will be based on an asset-light investment model and the Group will maintain a 40% minority equity stake in line with this strategy. The management of the hotel will fall under the purview of the Hotel Management sector. The hotel, which is an extension under the select service segment of 'Cinnamon Hotels & Resorts', is expected to be completed in the in 2024/25 and will feature 216 rooms, amenities such as an expansive rooftop bar and a swimming pool, amongst others.

AWARDS

South Asian Travel Awards 2022 (SATA):

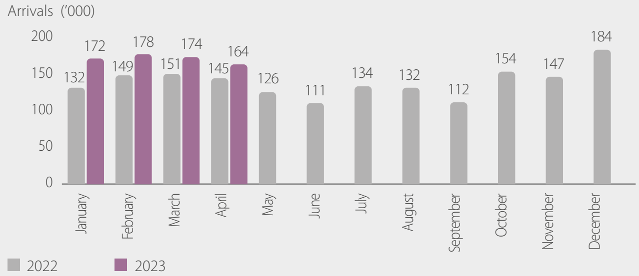
- Gold award – 'Leading Riverfront Hotel/ Resort' - 'Cinnamon Citadel Kandy'
- Silver award - 'Leading Wildlife Lodge' - 'Cinnamon Wild Yala'
- Silver award - 'Leading Beachfront Resort' - 'Cinnamon Bey Beruwala'

With more clarity on the macroeconomic front, easing of travel advisories and the resumption of tourism activities, in the fourth quarter of the year under review, the Sri Lankan Resorts segment witnessed a rebound in occupancies, and to a lesser extent, ARRs. The segment witnessed a significant growth in RevPAR in the second half of the year under review.

Macroeconomic Update – The Maldives

- The economy of the Maldives noted a 12.3% increase in gross domestic product (GDP) during CY2022, driven by the continued recovery in tourism on the back of lifted border restrictions. Whilst inflation has remained relatively low due to Government price controls and stable local currency, given that it is pegged to the USD, high external debt continued to pose a risk given tighter global financial conditions, reduced external liquidity and a deep current account deficit.
- The Maldives recorded a 27% increase in arrivals with a total of 1.7 million tourist arrivals in CY2022, rebounding to pre-pandemic levels [CY2021: 1.3 million arrivals, CY2019: 1.7 million arrivals].

Tourist Arrivals to the Maldives



- Key source markets driving arrivals during CY2022 were India, followed by Russia, the United Kingdom, Germany, and Italy.
- The drop in arrivals from China, Maldives' largest source market historically, on account of various challenges in Chinese outbound travel, was offset through new source markets such as India and Russia.
- The momentum in arrivals continued with 523,928 tourists visiting the Maldives between January and March 2023. This translates to an 21% growth against the comparative quarter [2021/22 Q4: 431,524 tourist arrivals].
- Given challenges in procuring labour, material and project delays on account of the Covid-19 pandemic, the construction of the new international passenger terminal at the Velana International Airport is expected to be complete in CY2025.

INDUSTRY GROUP REVIEW

LEISURE

Maldivian Resorts

The Maldivian Resorts segment continued its strong performance with occupancies exceeding pre-pandemic levels on average, supported by arrivals from both traditional and new source markets. As evident from the table below, the segment recorded an encouraging performance across the quarters, with occupancies recorded significantly above the industry average of 59% for CY2022.

Maldivian Resorts	2022/23				2022/23	2021/22
	Q1	Q2	Q3	Q4		
Average Room Rate (USD)	333	316	372	416	360	333
Occupancy (%)	86	86	91	89	88	75

With the onset of restrictions on Chinese outbound travel, active measures were adopted by the segment to attract other source markets such as India, Russia, the United Kingdom, Germany, Italy and Australia to compensate for the shortfall of Chinese tourists; especially given China's positioning as one of the main source markets for the Maldives.

The segment adopted an increase in ARRs from the fourth quarter of 2022/23 onwards, in order to address significant cost pressures, maintain operational efficiencies and retain its brand positioning. The increase in minimum wages from January 2022, coupled with the rise in fuel costs, were some of the key cost pressures affecting the Maldivian tourism industry, to which, the Maldivian Resorts segment was no exception.

AWARDS

- 'Cinnamon Hakuraa Huraa Maldives' was awarded the 'Red Star' award by DER Touristik Deutschland.

Hotel Management

'Cinnamon Hotels & Resorts' renewed its strategic direction, 'Cinnamantra', where a new purpose with seven associated core values; greatness, compassion, agility, well-being, inclusivity, trust, and curiosity, were rolled out during the year under review. Direct distribution channels were further strengthened by setting up global sales offices in key destination markets and establishing a global contact centre to facilitate direct customer communication.

During the year under review, several social media tourism promotional campaigns such as 'Home2Cinnamon', 'Visit Sri Lanka' and 'Be Inspired' were carried out with the goal of enticing tourists to return to Sri Lanka and stay at 'Cinnamon' properties. The Group continued to work towards elevating the 'Cinnamon' brand proposition and is currently in the process of re-positioning the brand in line with the brand strategy and purpose.

The 7th edition of 'Treasure Hunt 2022' (Chasse Aux Tresors) presented by 'Cinnamon Hotels & Resorts' together with Walkers Tours and Sri Lankan Airlines.

'Cinnamon' Events

'Cinnamon' events were curtailed in the year under review given the challenging macroeconomic environment. 'Cinnamon Hotels & Resorts' together with Walkers Tours and Sri Lankan Airlines presented the 7th edition of 'Treasure Hunt 2022' (Chasse Aux Tresors) to revive French tourism in Sri Lanka. 60 French travel agents participated in the tour visiting key tourist destinations in the country.

Destination Management

The domestic macroeconomic crisis had a negative impact on the Destination Management segment due to the reduced number of tourist arrivals, the increase in fuel costs and negative publicity surrounding travel to Sri Lanka. During the year under review, Walkers Tours continued to establish ties with key Indian inbound travel partners with the aim of strengthening regional networks and widening its presence in the Indian market. To this end, Walkers Tours signed up with strategic partners in the southern part of India and further strengthened the luxury and wellness offerings under its sub brands 'Artravele' and 'Ayu' by engaging in focused sales visits and familiarisation tours targeting high-end travel agencies and wellness operators. Walkers Tours also extended its Eastern European marketing strategy by acquiring new agents.

AWARDS

- Walkers Tours retained the title of 'Sri Lanka's Leading Destination Management Company 2022', for the 3rd consecutive year at the World Travel Awards 2022.

PROPERTY

Industry Group Structure

Property Development

- Development and sale of properties under four segments; 'Luxe Spaces', 'Metropolitan Spaces', 'Suburban Spaces' and 'Leisure linked Developments'.
- Ongoing projects:
  - 'Cinnamon Life Integrated Resort'*, which includes:
    - The development and sale of two residential apartment towers; 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life'.
    - The development and sale/rental of units of the office tower, 'The Offices at Cinnamon Life'.
  - 'TRI-ZEN', a residential apartment development based on smart living in the heart of the city.
- Previous residential apartment projects: 'OnThree20', '7th Sense on Gregory's Road', 'Monarch', and 'Emperor'.
- Development of holiday homes at 'Victoria Golf and Country Resort' in Rajawella, Kandy.

**The 800-room hotel, retail and entertainment spaces of the 'Cinnamon Life Integrated Resort' is captured under the Leisure industry group review.*

Property Management

- Rental of commercial office space.
- Management of the Group's real estate within the city.
- Ownership and operation of the 'Crescat Boulevard' mall and 'K-Zone' malls in Moratuwa and Ja-Ela.
- Operation of the 18-hole champion golf course and management of the land bank in Rajawella, Kandy.

Contribution to the John Keells Group

1%	Revenue
-1%	EBIT
14%	Capital Employed
1%	Carbon Footprint

Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	94,321	276,754	(66)	196,882
Total equity	88,347	166,895	(47)	108,406
Total debt[1]	1,161	102,260	(99)	59,492
Capital employed[2]	89,509	269,155	(67)	167,898
Employees[3] (No.)	288	260	11	272

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue[4]	4,577	41,476	(89)	1,910
EBIT	(309)	2,879	(111)	(92)
PBT	(2,135)	(847)	(152)	(136)
PAT	(2,350)	(986)	(138)	(276)
EBIT per employee	(1)	11	(110)	(0)
Carbon footprint (MT)	832	802	4	770

1. Excludes lease liabilities.

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

3. As per the sustainability reporting boundary.

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

PROPERTY

External Environment and Operational Review

Macroeconomic Update

- The construction sector accounted for 7.7% of Sri Lanka's GDP in CY2022 [CY2021: 9.0%].
- The land valuation indicator for the Colombo District, compiled by the Central Bank of Sri Lanka (CBSL), reached 205.2 in the second half of CY2022, a 14.8% increase against the comparative period [CY2021 2H: 178.7]. The residential, commercial, and industrial sub-indices contributed to this increase.

Connectivity

- The Road Development Authority requested for detailed proposals from investors who have expressed interest in the development of the four-lane elevated highway project from the New Kelani Bridge to Athurugiriya.

Key Policy and Regulatory Highlights

- The value added tax (VAT) exemption provided for the supply of condominium residential accommodation was removed, with effect from 31 December 2022. The supply of condominium residential accommodation will be liable to VAT at 15%, with effect from 1 January 2023.
- The concessionary corporate income tax rate of 14% applicable to construction services was revised to the standard corporate income tax rate of 30% with effect from 1 October 2022.
- The Government imposed a social security contribution levy (SSCL) of 2.5% on annual taxable revenue exceeding Rs.120 million of taxable persons with effective from 1 October 2022.

Similar to trends witnessed in the overall real estate industry of Sri Lanka, the Property industry group faced a challenging year on account of the volatile and uncertain macroeconomic landscape that prevailed during most parts of the year. Although there were no pandemic-related disruptions in comparison to the last two years, deteriorating disposable income, social unrest and political uncertainty contributed to dampening the overall sentiment of the market. The record high inflation which persisted during the year also exerted pressure on construction costs and business performance. Despite the numerous challenges encountered, the industry group continued its focus on completing the construction of its ongoing projects whilst continuing to evaluate the monetisation of the Group's land bank to ensure a steady cycle of revenue recognition.

INSIGHTS

The key challenges faced by the industry and Group businesses during the year:

- Global supply chain disruptions and import restrictions resulted in challenges in sourcing material which in turn impacted the construction progress of ongoing projects.
- The shortage of foreign exchange in Sri Lanka caused substantial delays in clearing imported building material and a multitude of constraints in opening letters of credit (LCs) for building material and similar components.
- The high interest rates in the country induced a shift in funds from real estate assets to fixed income assets, which impacted the sales momentum of apartments.
- The sharp depreciation of the Rupee and the steep rise in inflation, fuel and electricity costs exerted pressure on construction material prices and operating costs.
- The adverse macroeconomic environment presented challenges in retaining and sourcing labour.
- The increase in personal income tax rates resulted in a reduction in customer buying power whilst the imposition of the SSCL and the charge of VAT on the sale of condominium units impacted demand.

Notwithstanding the aforementioned challenges, whilst the impact on the businesses were more pronounced in the first three quarters of the year under review, there was a gradual revival in the demand for real estate assets towards the fourth quarter of the year under review, particularly within the suburbs of Colombo, given its value proposition. The inventory in the market is envisaged to be absorbed in tandem with market recovery in the medium-term, given the high replacement costs of this inventory. During the year under review, the Property industry group explored cost efficient and sustainable construction models for future developments.

The commercial real estate market remained resilient, as A-Grade commercial spaces continued to command occupancy. To this end, the year was characterised by a gradual reversal in 'work from home' trends, where the workforce returned to work or transitioned to a hybrid work arrangement, which benefited occupancy.

Mall operations were significantly affected by fuel shortages and rise in costs of living which hindered footfall. However, businesses witnessed a recovery in footfall during the latter end of the year in tandem with the gradual recovery in macroeconomic conditions.

Cinnamon Life Integrated Resort

The construction work at the 'Cinnamon Life Integrated Resort' progressed well during the year under review. The residential and commercial towers of the 'Cinnamon Life Integrated Resort' are fully completed, and the hotel, branded 'Cinnamon Life Colombo', retail and entertainment components are currently in the final stages of construction, with fitouts and interior designing of the hotel rooms and common areas underway; ~500 rooms have been completed.

Since the onset of the pandemic, the project encountered several unforeseen challenges which were exacerbated by the domestic macroeconomic crisis in the last 12-15 months, particularly in terms of labour mobilisation, foreign exchange constraints, clearing of imported materials and global supply chain disruptions. Whilst the contractor, in discussion with Waterfront Properties (Private) Limited (WPL), has continuously re-planned and re-sequenced the finishing works to meet the deliverables in a volatile environment, such challenges have impacted the overall completion timelines of the project. Given the re-sequencing of the overall finishing works of the project along with finalising the gaming arrangements and designs, the revised project completion date now takes into consideration the alignment of the hotel and gaming space openings, to ensure the impact of the integrated offering is optimised to its fullest extent. Accordingly, the 'Cinnamon Life Integrated Resort' will be operational in the third quarter of 2024/25. The Group is confident that the convergence of all elements in the launch of the integrated resort will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

*Refer the Leisure industry group for a discussion on the hotel, retail and entertainment components - **page 63**.*

Taking into consideration the aforementioned extension in completion timelines and the increases in the prices for the cost of finishing, fitouts, interior decor and equipment, the project construction costs which was projected to be ~USD 900 million, as stated in the Chairperson's Message in the Annual Report of 2018/19, is now estimated to be ~10% higher.

The residential sales momentum was impacted on the back of a reduction in disposal income, imposition of taxes such as VAT and SSCL and volatile market conditions on account of the macroeconomic crisis in the country, with the impacts more pronounced in the luxury segment.

	Structure	Number of Units Sold/ Occupied as at 31 March 2023
'The Suites at Cinnamon Life'	39-storey tower features a total of 196 apartment units.	115 units sold. (60% of total sellable area)
'The Residence at Cinnamon Life'	45-storey tower features a total of 231 apartments units.	151 units sold. (72% of total sellable area)
'The Offices at Cinnamon Life'	30-storey tower features six floors reserved for car park and the remaining 24 floors allocated for outright sales and rent.	Four floors sold outright.

The sales of 'The Suites at Cinnamon Life' and 'The Residence at Cinnamon Life' stood at 67% of the total sellable area. As at 31 March 2023, ~90% of the residential units sold were handed over.

Whilst the revenue of all units sold prior to the completion of the residential towers were recognised by 31 March 2022, it is noted that the revenue on the balance inventory of 161 units remains to be recognised as and when the units are sold. There was no revenue recognised in lieu of residential sales during the year under review, as there were no new sales on account of the challenging macroeconomic environment.

Whilst revenue attributable to the sale of four commercial floors were recognised in 2021/22, the recognition of recurring revenue from the ten floors of 'The Offices at Cinnamon Life' that are leased out continued during the year under review. The business continued to engage with prospective tenants to occupy the remaining office space.

In June 2022, WPL, the project company of the 'Cinnamon Life Integrated Resort', repaid the USD 100 million six-month bridging loan facility which was obtained in December 2021 as a part of the refinancing package of the USD 395 million syndicate term loan facility. The USD 100 million facility was obtained to align the refinancing with the original maturity date of July 2022. The loan facility now outstanding at WPL is the USD 225 million syndicate term loan maturing in December 2026.

TRI-ZEN

'TRI-ZEN', a residential development project which is located at the heart of the city capitalises on the increasing demand for attractively priced, smart, and efficient living solutions. Positioned within the 'Metropolitan Spaces' segment, the project leverages on innovative designs, lucrative Rupee price points, space efficiency and the need for modern solutions for urban living.

During the year under review, the project was presented with many challenges such as sourcing and mobilising labour, escalations in construction costs, imposition of VAT and SSCL on the sale of condominium units, among others, as a result of the challenging macroeconomic environment. 'TRI-ZEN', in tandem with the industry, was compelled to increase its prices to offset the significant depreciation of the Rupee. The increase in prices coupled with high interest rates and the reduction in disposable income exerted pressure on sales.

'TRI-ZEN' Cumulative Sales and Purchase Agreements (SPAs)

655 SPAs

2021/22: 652 SPAs

Despite the challenging environment, construction at the 'TRI-ZEN' site continued to progress well, where ~75% of construction was completed as at the end of the year. Further to the completion of the structural work of all three towers and the 'topping-off' ceremony in January 2022, the mechanical, electrical, plumbing work and gondola installation was completed in January 2023; ~95% of window installations were completed as at March 2023. Electrical and cable installation work, waterproofing and floor tiling are currently underway, with the overall project scheduled for completion by end CY2023.

The Group is confident that the convergence of all elements in the launch of the integrated resort will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

PROPERTY

Rajawella Holdings Limited (RHL)

RHL possess a vast land bank within the 'Victoria Golf and Country Resort' in Digana, which includes scenic land parcels, town houses and villa developments including a golf course under the management of Troon International.

Offerings at RHL

RHL Property Management	RHL Property Development			
	Peacock Valley	Sunrise Ridge	Mara Ridge	Peninsula
• Operation of a golf course in partnership with Troon International • Management of the 'Victoria Golf and Country Resort'	9 land plots (100% sold)	16 land plots with villas (80% sold)	4 land plots (100% sold)	18 land plots (newly launched)

- RHL Property Development – during the year under review, RHL launched 'Peninsula', a new segment which offers 18 exclusive land plots. The construction of 'Sunrise Ridge' villas progressed well during the year and is envisaged to be completed by the fourth quarter of 2023/24. These land parcels hold prospects for future leisure linked development opportunities, especially given the expected appreciation of the land value with improved connectivity and the recovery in tourism.
- RHL Property Management – similar to the Leisure businesses, operations were impacted by the lacklustre performance in foreign tourism. Demand locally was also impacted due to fuel shortages and lower disposable income.

Ongoing construction of villas at RHL.

Mall Operations

Mall operations were significantly impacted by the economic turmoil which prevailed during most parts of the year. The businesses continued to assess the performance of the malls and engaged with the tenants given the multitude of challenges faced.

'Crescat Boulevard' which was revamped in November 2021, was successful in retaining existing tenants as well as securing new tenants. Occupancy at 'Crescat Boulevard' stood at an encouraging 73% at the end of 2022/23, despite the multiple challenges presented during the year. The mall has the potential of reaching pre-pandemic occupancy levels in tandem with the recovery of the economy.

Land Banking Strategy

The contiguous 9.38 acre property of Vauxhall Land Developments Limited (VLDL), a fully owned subsidiary of the Group is one of the largest privately held land banks in central Colombo and is within a proposed zoning area identified under the Beira Lake Development Plan of the Urban Development Authority (UDA). The strategic location in the heart of Colombo city allows for a large-scale development with views over the Beira lake. This property is a part of the Group's land banking strategy, where strategic land parcels were identified in order to capitalise on opportunities arising in the property development and property management industries. As outlined in the 2021/22 Annual Report, a development project has been earmarked for this property, subject to market conditions, to ensure a steady cycle of revenue recognition through the planned monetisation of the Group's land bank.

During the year under review, the Group also continued to explore investment opportunities in the emerging suburban areas of Colombo to enter the industry group's 'Suburban Spaces' segment, given the growing demand and potential in the suburban market on account of the high prices associated with residential apartments in Colombo.

FINANCIAL SERVICES

Industry Group Structure

Insurance

- Comprehensive life insurance solutions through Union Assurance PLC (UA).
- General insurance solutions through Fairfirst Insurance Limited (FIL).

Banking

- End-to-end banking solutions through Nations Trust Bank PLC (NTB).
    - Network of branches for commercial banking.
    - Sole acquirer of the flagship centurion product range of 'American Express' cards in Sri Lanka.
    - Largest issuer of credit cards in Sri Lanka.

Stock Broking

- Stockbroking services through a leading stockbroking company in Sri Lanka, John Keells Stock Brokers (Private) Limited (JKSB).
    - Number of trade execution relationships with high-net-worth individuals, institutional investors, leading foreign securities houses and retail clients via an online trading portal.

Contribution to the John Keells Group

9% Revenue

20% EBIT

4% Capital Employed

1% Carbon Footprint

Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	86,475	74,248	16	76,080
Total equity	22,184	17,100	30	19,465
Total debt[1]	141	161	(13)	143
Capital employed[2]	22,743	17,705	28	19,906
Employees[3] (No.)	818	822	(0)	824

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue[4]	27,770	24,149	15	20,890
EBIT	6,751	5,000	35	3,360
PBT	6,751	4,995	35	3,360
PAT	5,673	4,314	32	2,497
EBIT per employee	8	6	36	4
Carbon footprint (MT)	989	885	12	992

1. Excludes lease liabilities.

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

3. As per the sustainability reporting boundary.

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

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

External Environment and Operational Review

Macroeconomic Update

- Sri Lanka's financial services industry recorded a contraction of 11% in CY2022 [CY2021: growth of 8%], accounting for 4% of GDP during the year [CY2021: 5%].

Key Policy and Regulatory Highlights

- In April 2022, the Central Bank of Sri Lanka (CBSL) increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points to 13.5% and 14.5%. Following this, the SDFR and SLFR was further increased by 100 basis points each in July 2022 and March 2023, to 15.5% and 16.5%, respectively to align the policy rates with the pre-requisites of the extended fund facility arrangement with the International Monetary Fund (IMF).
- The Statutory Reserve Ratio remained at 4% during the year under review.
- Policy interventions on market driven aspects such as interest rate caps continued during the year.
- The CBSL rolled out regulations which sets out the expectations from banks in mainstreaming environmental, social and governance (ESG) aspects as part of its core strategy.
- The Financial Intelligence Unit of Sri Lanka (FIU) rolled out various regulations to further strengthen the governance of financial institutions which covered aspects such as money laundering, terrorist financing, suspicious transactions and customer authentication, among others.
- The Insurance Regulatory Commission of Sri Lanka (IRCSL) issued several directions to strengthen the regulatory framework and to improve protection of current and prospective clients.
- The effective date for the implementation of the SLFRS 17, the accounting standard on Insurance Contracts, was postponed to 1 January 2025.
- The income tax rate on financial services was increased from 24% to 30% whilst the value added tax (VAT) rate was progressively increased from 8% to 15% during the year under review.
- A surcharge tax of 25% was imposed on companies that earned a taxable income over Rs.2 billion for the year of assessment 2020/21.
- The Securities and Exchange Commission of Sri Lanka (SEC) introduced new rules pertaining to Market Institutions, Market Intermediaries and a Code for Collective Investment Schemes following the enactment of the new Securities and Exchange Commission Act No. 19 of 2021. The key components of the rules include the licensing procedure, minimum financial requirements, reporting and infrastructure requirements, governance structures, compliance and internal controls for the said market institutions (Exchange, Central Depository and Clearing House).
- The Colombo Stock Exchange (CSE) enacted a change in S&P Sri Lanka 20 index constituents at the 2022 year-end rebalance in line with the S&P Dow Jones Indices.
- The Personal Data Protection Act, No. 9 of 2022 was enacted in March 2022, which provides the legal framework for the protection of personal data in Sri Lanka, among others.

Macroeconomic Update - Insurance

- The insurance industry recorded total assets at Rs.947.26 billion in CY2022, a 7% growth against the previous year [CY2021: Rs.881.84 billion], while gross written premium (GWP) recorded a 10% increase to Rs.257.58 billion [CY2021: Rs.233.51 billion].
- The life insurance industry followed a similar trend, recording a 9% growth in GWP during CY2022, which amounted to Rs.135.37 billion [CY2021: Rs.124.75 billion]. Growth of the insurance industry was primarily driven by higher life insurance penetration at 0.8% of GDP [CY2021: 0.7%] given increasing awareness on the need for life insurance as a result of pandemic induced demand.
    - The growth in GWP was primarily driven by growth in single premium, regular new business premium and renewal premiums which grew by 17%, 3% and 12%, respectively.

Insurance

Union Assurance (UA) recorded an 8% growth in GWP, primarily driven by a 15% growth in renewal premiums and a 5% increase in regular new business premiums. Accordingly, UA maintained its position as the second largest regular new business producer in the industry.

CY2022	Rs.million	Growth (%)
First year premium	4,666	5
Renewal premium	11,390	15
Single premium	185	(75)
Individual policies	16,241	8
New business premium	0.17	(18)
Renewal premium	0.26	204
Corporate policies	0.43	47
Total gross written premium	**16,669**	**8**

The agency channel continued to be the primary channel contributor to revenue contributing 78% to GWP and recording a 4% growth during the year under review. The business further strengthened its bancassurance channel which recorded a growth of 28% in comparison to the previous year. UA continued to strengthen its partnerships with multiple leading banks, consolidating its position as the market leader in the bancassurance industry in the country through two new partnerships and renewing an existing partnership during the year. The alternate channel, which acts as a complementary channel to the agency and bancassurance channels, recorded a growth of 12%.

Net investment income recorded a 42% growth in CY2022 [CY2021: growth of 5%] as a result of an asset reallocation to benefit from the high interest rate environment which prevailed during the year.

Despite the volatile market conditions, the business continued to maintain a strong solvency position with the Capital Adequacy Ratio (CAR) at 194% as at CY2022 [CY2021: 228%]. Although the high interest rate environment and UA's universal life-dominated product portfolio exerted pressure on the CAR, it continued to be comfortably above the minimum 120% CAR threshold stipulated by the IRCSL. Total assets stood at Rs.75.97 billion as at CY2022, a 7% growth against the comparative year [CY2021: Rs.70.76 billion]. UA's investment portfolio stood at Rs.64.46 billion recording a 9% growth in CY2022 while the life fund, which is backed by reputed re-insurers with an international credit rating of 'A+' and above, recorded a 13% growth to Rs.54.88 billion.

Underwriting and net acquisition costs increased by 11% to Rs.3.15 billion on account of growth in regular new business premiums. Claims and benefits to policyholders recorded a 24% increase to Rs.5.70 billion [CY2021: Rs.4.61 billion] on the back of challenging macroeconomic conditions and a comprehensive insurance policy portfolio. Surrender payouts noted a 31% increase whilst maturity payouts increased by 20% in accordance with the contractual obligations.

The Life Insurance business recorded a life insurance surplus of Rs.2.30 billion [CY2021: Rs.1.60 billion] as per the actuarial valuation carried out at the end of the year, mainly arising from an increase in GWP, increase in net investment income and curtailment of expenses. The distribution of a one-off surplus of Rs.3.38 billion attributable to non-participating and non-unit fund of unit linked business, which was transferred from the life policyholder fund to the life shareholder fund in 2017/18 based on the directive dated 20 March 2018 issued by IRCSL - continues to remain restricted subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL.

UA made steady progress through its SLFRS-17 steering committee to ensure strategic, tactical, and operational readiness for the implementation of SLFRS-17. During the year, the SLFRS-17 steering committee examined the SLFRS-17 implementation road map in order to meet the new effective date of 1 January 2025, reviewed vendor evaluations, assessed the company's strategic readiness and awarded the proof of concept (POC) to a selected vendor.

During CY2022, UA continued its 'digital first' business model in line with its mission of positioning itself as the foremost digital life insurance company in Sri Lanka. The 'Clicklife' self-servicing app, a turnkey end-to-end digital insurance solution, continued to perform beyond expectation providing customers greater remote accessibility with added service features. During the year, UA integrated a novel calorie counter feature, where users could track their caloric intake and create a personalised fitness plan. UA also introduced a fully digitised reward system providing a seamless experience to customer.

UA also continued to digitise its processes which led to significant operational efficiencies with straight through underwriting at 57% and one-day claim settlements at 91%. An enhanced overall customer experience was facilitated through:

- digital advisor toolkit (DAT), a digital end-to-end selling platform which was enhanced with added features to further simplify the selling process, and;
- enhanced performance management features introduced to the virtual agency management platform – 'FAME', which facilitates better management of sales force performance.

AWARDS

- Great Place to Work (GPTW) – recognised as a Best Workplace, ranking among the top 10 in the Banking, Financial Services, and Insurance Industry in Sri Lanka.
- Received the 'Best Digitising Life Insurance Sri Lanka' award at The Global Business Magazine Awards 2022.
- Received the following awards from 'World Economic Magazine':
  - 'Best Bancassurance Provider Sri Lanka'
  - 'Most Innovative Bancassurance Rewards Programme in Sri Lanka'
- 'Satyn Magazine CIMA Women Friendly Workplace Awards 2022' – recognised as 'One of Sri Lanka's Most Outstanding Women-Friendly Workplaces' and category winner of the 'She Thrives Award'.

Macroeconomic Update - Banking

- Private sector credit contracted by 6% in CY2022 [CY2021: growth of 13%] which was driven by a restrictive monetary policy.
- Total banking assets of the industry noted a 15% growth during CY2022 whilst net interest income noted a 38% growth given a faster repricing of loans in comparison to deposits industry-wide.
- Banking sector Stage 3 (credit-impaired) loans increased to 6.5% in CY2022 in comparison to 4.3% recorded in CY2021. Impairments recorded an increase on the back of the domestic macroeconomic challenges that prevailed during the year under review and the cessation of moratoriums implemented during the Covid-19 pandemic period.

Banking

Nations Trust Bank (NTB) remained resilient during the year under review by focusing on a return centric strategy which emphasised on managing risks and optimising capital. Despite the volatilities in the overall banking industry, the conscious selective growth strategy of the Bank led to continued stability and record profitability.

The country witnessed a steep depreciation of the Rupee during the year under review, following which, the Government declared a pre-emptive measure of suspending the servicing of a significant portion of its external debt obligations, given the state of the foreign currency reserves position, which resulted in a downgrade of the sovereign credit rating. These measures exacerbated the macroeconomic challenges that continued from the previous year giving rise to significant impacts on the banking industry on account of foreign exchange liquidity pressures and credit losses. However, the latter end of CY2022 and thereafter was characterised by improvement in the overall macroeconomy, including a moderation of inflation, a gradual reversal in interest rates, and higher foreign currency inflows on the back of strong policy measures.

INDUSTRY GROUP REVIEW

FINANCIAL SERVICES

Despite the challenging operating landscape, net interest income (NII) grew by 108% due to the timely re-pricing of assets which comprised primarily of short-duration floating loans in a rising interest rate environment while the net interest margin widened to 7.0% [CY2021: 3.9%]. However, NTB's proportion of loans and advances declined to 58% as at the year end [CY2021: 65%] given the Bank's measures to build its liquidity buffer and the Bank's cautious and selective approach to lending, refocusing on segments of the economy that are anticipated to have upside potential and critical to the economy. NTB also noted an 11% increase in net fee and commission income.

Lacklustre economic conditions coupled with the cessation of moratoriums on loans offered during the Covid-19 pandemic resulted in an increase in Stage 3 (credit impaired) loans and impairments across the industry, to which NTB was no exception. However, the Bank's focus on preserving portfolio quality, particularly through data analytics, aided the Bank in curtailing the increase in its Stage 3 loans ratio to 2.6% [CY2021: 2.1%], in contrast to the industry which was at 6.5%. Accordingly, impairments increased by 270% to Rs.13.84 billion. The impact on impairments was also exacerbated by the downgrade of the sovereign rating, although the Bank's exposure to International Sovereign Bonds and Sri Lanka Development Bonds is relatively low in comparison to the industry, at ~3% of total assets as at 31 December 2022. This further improved to ~2% as at 31 March 2023. In this regard, it is noted that the Bank had made higher than necessary provisions after conducting stress tests to determine tolerance levels.

Despite the high inflationary pressures, NTB limited its growth in total operating costs to 27% given its successful efforts at driving cost efficiencies through internal processes and productivity improvements with its 'digital first' approach. The cost to income ratio, improved to 30% [CY2021: 39%] given the wider income base. The Bank continued to maintain a resilient and stable funding position with risk and capital management pivotal to managing the year under review. The Bank's capital adequacy ratio (CAR) stood at 16.3% at the end of CY2022. Although no Tier 2 capital was raised during the year, given the rising interest rate environment, NTB's Tier 1 and total capital ratios stood at 14.8% and 16.9% respectively at the year end, in line with regulatory requirements [CY2021: 15.3% and 18.0%, respectively].

The Group currently holds 29.48% of voting shares in NTB. The Director of Bank Supervision of the CBSL, has informed that in terms of a decision of the Monetary Board of the CBSL, the Group has been granted further time till 31 December 2022 to reduce its voting shareholding in NTB to 20%. Restriction on voting rights at 10% is applicable on the Group, until the shareholding is reduced to 15%. JKH has requested for an extension of the deadline from the CBSL and is awaiting a formal response from the CBSL.

The Bank's digitally enabled customers increased by 13% whilst digital transactions accounted for 92% of total transactions [CY2021: 87%]. The Bank continued to provide its customers with value added services and upgrades to its digital banking services through the 'Nations Direct' mobile banking app and online banking services. NTB also launched the 'Nations Direct' self onboarding platform to accommodate end-to-end, unassisted customer onboarding across multiple platforms as part of its vision to digitise the entire customer life cycle management process. 'FriMi', the Bank's fully fledged digital banking experience, continued to strengthen its market leadership position through innovative payment solutions and deepening relationships across the value chain.

Mr. Gihan Cooray retired as a Director and Chairman of the Board, having served the stipulated maximum nine-year tenure as a director of the bank in compliance with Direction No. 3(2)(ii) (A) of the Rules of Corporate Governance for Licensed Commercial Banks issued by the CBSL. Ms. Sherin Cader took over as the Chairperson of the Board of Directors, with effect from 1 May 2023.

AWARDS

- 'Most Valued Credit Card Base and Campaign Promoter' - Daraz Payment Partner Performance Awards 2022.
- Received the following awards at Sri Lanka Institute of Marketing (SLIM) DIGIS 2.2 for 'FriMi':
  - Silver award – Best Use of Data.
  - Merit award – Small Budget Impact.
- 'FriMi' was ranked 2nd amongst the 'Most Loved Brands' in the FINTECH category by LMD Brand Finance.

Macroeconomic Update - Stock Broking

- The All Share Price Index (ASPI) of the Colombo Stock Exchange (CSE) recorded a 31% decline in CY2022 [CY2021: 81% gain], whilst the S&P SL 20 index also noted a 38% decline in CY2022 [CY2021: 61% gain].
- Daily average turnover of equity stood at Rs.2.97 billion in CY2022, a 39% decline against the previous year [CY2021: Rs.4.88 billion], primarily driven by macroeconomic uncertainty, volatility of earnings and higher yields on alternative investment opportunities.

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, especially foreign participation, was adversely affected by macroeconomic volatility, political uncertainty and social unrest. Subdued investor and consumer confidence, reduced disposable income coupled with a plethora of challenges faced by entities, including the increase in corporate and value added taxes, adversely impacted stock market performance. Impacts were further amplified given the contractionary monetary policy regimes in most parts of the world, including the Fed, Bank of England and the European Central Bank.

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 furtherance of better addressing client requirements, the business continued to conduct client engagement sessions and investor fora via online platforms. JKSB also enhanced the 'self-service' features on its customer portal.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Industry Group Structure

Information Technology

IT Services

- John Keells IT (JKIT) - a boutique Information Technology (IT) consultancy and professional service provider with a vision to simplify and digitally transform businesses to be relevant in the data-driven experience economy.
- Key value stacks:
  - JKIT Strategy – experiencing a data-driven economy through design thinking.
  - JKIT Core – orchestrating enterprise application portfolios.
  - JKIT Cloud – architecting cloud transformation.
  - JKIT Platform – enabling a 'Smart' future.
  - JKIT Ecosystem – driving the Application Programming Interface (API) economy.

IT-Enabled Services

- Infomate - a business process management (BPM) service provider with the mandate of driving greater efficiencies for their clientele.
- Key focus areas:
  - Finance and accounting.
  - Payroll management.
  - Data digitisation.

Plantation Services

- John Keells PLC (JK PLC) – a leading tea and rubber broker.
- Tea Smallholder Factories PLC (TSF):
  - Operates six of the seven factories owned. One factory is leased externally.
  - Leading manufacturer of low grown orthodox and 'crush, tear, curl' (CTC) teas in the country.
- John Keells Warehousing (JKW) – operates a state-of-the-art warehouse for pre-auction produce.

Other

- JKH (Holding Company) and other businesses (Centre functions/divisions).

Inputs (Rs.million)	2022/23	2021/22	%	2020/21
Total assets	95,472	134,622	(29)	81,241
Total equity	(2,988)	54,578	(105)	30,367
Total debt[1]	90,352	72,510	25	47,562
Capital employed[2]	87,364	127,088	(31)	77,930
Employees[3] (No.)	1,294	1,227	5	1,196

Outputs (Rs.million)	2022/23	2021/22	%	2020/21
Revenue[4]	6,874	4,041	70	3,949
EBIT	6,435	5,291	22	2,907
PBT	7,111	21,090	(66)	3,291
PAT	3,876	16,625	(77)	2,356
EBIT per employee	5	4	15	2
Carbon footprint (MT)	1,990	2,202	(10)	2,543

1. Excludes lease liabilities; includes the liability arising from the issue of convertible debentures.

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

3. As per the sustainability reporting boundary.

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

Contribution to the John Keells Group

- 2% Revenue
- 19% EBIT
- 14% Capital Employed
- 2% Carbon Footprint

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

External Environment and Operational Review

Macroeconomic Update - Information Technology

- Businesses continued to invest in technology to digitise their value chain as well as to build value ecosystems with the aim of capitalising on the shift to convenience and consumerism.
- Organisations across the globe also continued to invest in emerging technologies that offer new growth opportunities, such as Cognitive Systems/Artificial Intelligence (AI), Big Data, Robotic Process Automation (RPA), Internet of Things (IoT), Block Chain, 3D Printing, Cloud Computing, Mobility, Mixed Reality, Metaverse, amongst others.
- Businesses continued to seek credible, long-term partners to drive their digital transformation agenda across their value chains/ecosystems with end-to-end portfolio capability and solution stacks.
- The key growth areas were centred around core modernisation, cloud enablement, industry solution stacks, zero-trust, collaboration, mobility, personalisation, intelligent automation, advanced analytics, digital identity among others. Enhanced and deep capability in being able to integrate such aspects was a key differentiator and critical success factor.
- The global business process management (BPM) industry market size was valued at USD 14.46 billion in CY2022. The global spend on IT services is expected to reach USD 1.36 trillion by CY2025.
- IT/BPM industry in Sri Lanka has set itself a target of reaching the USD 3 billion export revenue mark by CY2024 and contributing USD 15 billion to the digital economy by CY2030.
- With the increase in global demand for IT/BPM services, Sri Lanka continued to strengthen its position as an information and communication technology (ICT) destination of choice. ICT services generated the 2nd highest export revenues for the country in CY2022.

Key Policy and Regulatory Highlights

- Companies providing information technology service were previously exempt from income tax. However, effective 1 April 2023, companies will be charged income tax at the standard corporate tax rate of 30%.

Information Technology

During the year under review, John Keells IT (JKIT) continued to consolidate and accelerate its expansions into new regional markets by strengthening and leveraging on its global partnerships with Microsoft and SAP as well as strategic alliances. JKIT further consolidated its position as the market leader in Sri Lanka and United Arab Emirates through aggressive growth strategies. The business also pursued market expansion in South East Asia through identified strategic alliances, which are currently underway.

The business's new operating structure focused on the Asia Pacific (APAC) and Europe, the Middle East and Africa (EMEA) regions. JKIT's portfolio strategy which aligns solutions under a broader umbrella continued to be well received, with the solutions value stacks, 'JKIT-Strategy', 'JKIT-Core', 'JKIT-Cloud', 'JKIT-Platforms', and 'JKIT-Ecosystems' yielding positive results. During the year, the business also focused on building its branding and positioning by initiating a co-branded award ceremony in Sri Lanka together with SAP titled 'Dare to Dream Awards 2023', to recognise, motivate and nurture digital leadership.

JKIT continued to focus on delivering innovative solutions for clients by providing holistic and transformative solutions and services across the aforementioned five value stacks and packaging the same to create 'Smart Industry Solutions'. Making the services available on both Microsoft and SAP marketplaces have augured well, giving the business added recognition in its key industries.

The Group's BPM operations in Sri Lanka, Infomate, recorded an encouraging performance during the year and was recognised within the top six BPO companies in Sri Lanka. The business was successful in expanding its portfolio of clients, especially across Australia, the Nordic region and the Middle East. The business also expanded its portfolio of services to include human resource outsourcing, lead generation and documentation services during the year under review.

AWARDS

John Keells IT:

- Runner up – 'Delivery excellence Award 2023'.
- 'Microsoft specialisation awards' in 'Infrastructure', 'Digital & App Innovation' and 'Data & AI' categories.
- 'SAP on Azure' partner of the year.
- 'Azure Migration' partner of the year.
- 'Cloud solutions & Innovation' partner of the year.
- 'Partner of the Year – Sri Lanka 2022', at the SAP India Partner Success Summit.

JKIT continued to consolidate and accelerate its expansions into new regional markets by strengthening and leveraging on its global partnerships with Microsoft and SAP as well as strategic alliances.

'Dare to Dream Awards 2023' orgainsed by SAP and JKIT.

Macroeconomic Update - Plantation Services

- Global tea production declined by 1% in CY2022 in comparison to the 3% growth recorded in CY2021, primarily due to lower output levels in markets such as Sri Lanka, Africa, Bangladesh, Indonesia and India.
- Sri Lanka recorded a 16% decline in tea production to 251,499 MT during CY2022 [CY2021: 299,338 MT], where production was impacted by the lagged effect of fertiliser shortages which materialised as a result of the ban imposed by the Government on the importation of agrochemicals such as urea based fertilisers and weedicides in April 2021. The ban was lifted in November 2021. The decrease in production was driven by contractions across high, medium and low grown teas, which recorded declines of 14%, 21% and 15%, respectively.
- Sri Lanka tea exports for CY2022 stood at 250.2 million kg in comparison to 286.0 million kg recorded in CY2021. Iraq was the largest importer of Sri Lankan tea in CY2022, recording a marginal growth of 2% from CY2021, followed by Russia, United Arab Emirates (UAE), Turkey, Iran and Azerbaijan. The ongoing Russia-Ukraine conflict and the recent natural disaster in Turkey impacted Sri Lankan tea exports.
- The decline in the supply of Ceylon tea amidst global supply-demand dynamics contributed to a 9% increase in tea prices in USD terms to USD 5.03 per kg in CY2022 [CY2021: USD 4.63 per kg]. In Rupee terms, the average tea prices at the Colombo Tea Auction increased by Rs.618.80 per kg to an average price of Rs.1,234.24 in CY2022 [CY2021: Rs.615.44] driven by the depreciation of the Rupee in addition to the aforementioned factors. However, with the appreciation of the Rupee in March 2023, average tea prices noted a decrease.
- The Government undertook many measures aimed at enhancing productivity, value addition and competitiveness of the industry. Some initiatives in this regard included special concessionary loan schemes to tea factories and subsidies for factory modernisation and improvements in the productivity of tea lands.
- The Colombo Tea Traders' Association (CTTA) continued to enhance its online auction platform, including enabling surveillances to curtail mismanagement amongst buyers, brokers and sellers.

Key Policy and Regulatory Highlights

- The income tax rate on agro-processing businesses increased to 30% from 14% during the year under review.

Plantation Services

The lagged effects of the fertiliser ban imposed by the Government on imported agrochemicals in 2021/22 coupled with the challenging macroeconomic environment, particularly the rise in production costs due to increased fertiliser costs and related raw materials and the upward adjustments in utility costs impacted the overall tea industry, including the tea smallholders. Against this backdrop, TSF recorded a 17% decrease in volumes to 2,463 MT in 2022/23 [2021/22: 2,966 MT]. During the year under review, the business's emphasis on quality of the leaf standards allowed it to demand a price premium significantly above the national average. Further, TSF continued to automate certain internal processes and upgrade its machinery which led to an increase in productivity and quality.

The overall decline in volumes at the Colombo Tea Auction was mirrored in the performance of JK PLC given the nature of its operations. The business recorded a decline in volumes, particularly in the high grown and medium grown elevations, as production levels were unable to reach its optimal capacity. Resultantly, although JK PLC was successful in gaining market share in the high grown elevation, overall market share declined marginally to ~13% during the year under review [2021/22: ~14% market share].

With the decline in the overall tea industry production levels, the Warehousing business witnessed lower levels of utilisation compared to the previous year.

During the year under review, the business's emphasis on quality of the leaf standards allowed it to demand a price premium significantly above the national average.

OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES

Other

In addition to the Information Technology and Plantation Services sectors, the industry group also entails the performance of the Holding Company and its various divisions. In addition to the Centre functions, the Holding Company operations also include:

- OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence
- John Keells Research, the research and development arm of the Group
- John Keells X, a corporate start-up accelerator
- 'Plasticcycle', the Group's social entrepreneurship initiative

*Detailed discussion of each of the above functions is found in the Intellectual Capital Review and Natural Capital Review sections - **Pages 132 & 103** respectively.*

Holding Company

The year under review was characterised by numerous macroeconomic and socio-political pressures emanating from a precarious external financing position, including a shortage in foreign exchange, a high interest rate regime, a marked depreciation of the Rupee and an inflationary environment. Due to these unprecedented circumstances, the Holding Company continued to focus on various measures to ensure an agile operating model, with emphasis on liquidity and cash management. The financial strength of the Holding Company, together with agility in planning ahead aided the Company in navigating and circumventing the macroeconomic challenges encountered during most parts of the year.

*Refer Financial and Manufactured Capital Review for a detailed discussion - **Page 81**.*

As announced to the Colombo Stock Exchange (CSE), the Company concluded the issuance of convertible debentures amounting to Rs.27.06 billion on 12 August 2022, by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada. Accordingly, 208,125,000 Sri Lankan Rupee denominated unrated, unlisted, unsecured convertible debentures were issued to HWIC at an issue price of Rs.130 per debenture. The debentures have a maturity period of three years and will accrue interest at a rate of 3% per annum. The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period from 12 February 2024 to 12 August 2025.

The proceeds from this transaction are earmarked to support the Group's investment pipeline and match its foreign currency linked project costs whilst reducing the need to fund some of its requirements through the local banking sector, given the stresses on capital and interest rates at the time of raising such funds.

*Refer Strategy, Resource Allocation and Portfolio Management section for a discussion on the key portfolio actions during the year - **Page 157**.*

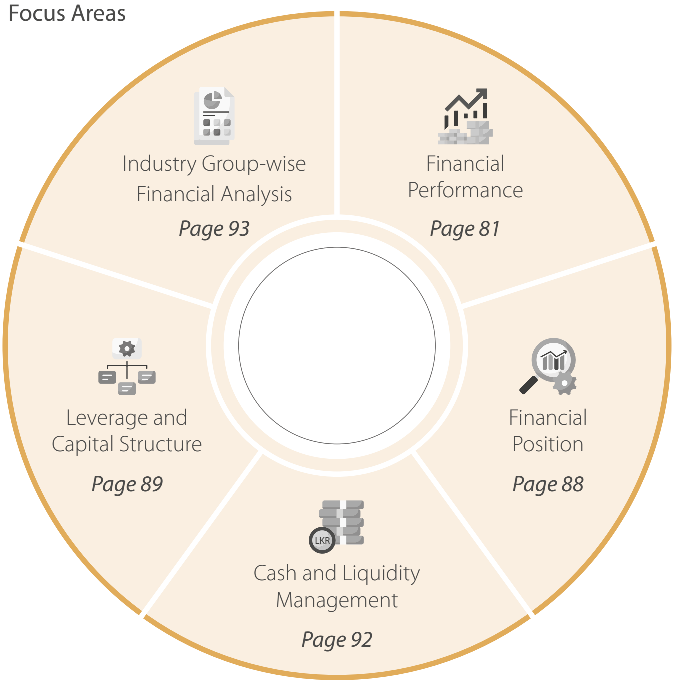
The Company concluded the issuance of convertible debentures amounting to Rs.27.06 billion on 12 August 2022, by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada.

FINANCIAL AND MANUFACTURED CAPITAL REVIEW

The performance of Group businesses remained resilient during the year under review, despite the multitude of challenges in the operating environment, including various constraints stemming from the external financing position, illiquid foreign exchange markets, notable increase in interest rates and spiralling costs. Notwithstanding the various socio-economic and socio-political pressures that were prevalent in the first half of the year under review, the businesses recorded an encouraging performance, albeit the lower base given pandemic induced impacts in the comparative period. Whilst the operating environment normalised in the second half of the year, performance was impacted on the back of rising inflation, supply chain disruptions, the contractionary fiscal and monetary policy measures of policymakers, and the resultant decline in consumer purchasing power.

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

Focus Areas



FINANCIAL PERFORMANCE

Revenue

Group revenue recorded a 27% increase to Rs.276.64 billion during the year under review [2021/22: Rs.218.07 billion]. Apart from business specific factors, revenue increases were supported, in general, by selling price increases in certain businesses while businesses with foreign currency denominated revenue streams benefited from the translation of such revenue streams into Rupees on account of the steep depreciation of the Rupee. Apart from these macroeconomic factors, the increase in revenue primarily stemmed from:

- The Transportation industry group, mainly due to the Bunkering business which is attributable to an increase in volumes and oil prices.
- The Leisure industry group, driven by improved performance across the portfolio of hotels and the translation impact, particularly in the Maldivian Resorts segment.
- The Supermarket business, on account of a double-digit growth in same store sales.

The growth in revenue is despite the absence of any material revenue recognition in the Property industry group during the year under review. The previous year included the revenue recognition from the handover of units in the residential towers and commercial office spaces sold at the 'Cinnamon Life Integrated Resort', compared with no corresponding revenue recognition in the current year. Revenue excluding Property stood at Rs.274.51 billion, a 51% increase against the previous year [2021/22: Rs.182.34 billion].

Revenue emanating from domestic sources was Rs.183.95 billion [2021/22: Rs.171.96 billion].

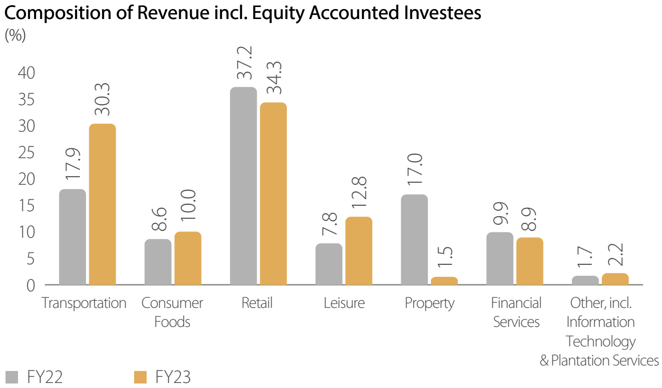
Group revenue, inclusive of equity accounted investees, increased by 28% to Rs.311.48 billion [2021/22: Rs.244.29 billion]. Revenue from equity accounted investees at Rs.34.84 billion, was an increase of 33% against the Rs.26.22 billion recorded in 2021/22. The increase primarily stemmed from South Asia Gateway Terminals (SAGT), Nations Trust Bank and DHL Keells.

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

Revenue including Equity Accounted Investees (Rs.million)	**2022/23**	**2021/22**	**%**
Transportation	94,281	43,816	115
Consumer Foods	31,269	21,008	49
Retail	106,849	90,842	18
Leisure	39,859	18,962	110
Property	4,577	41,476	(89)
Financial Services	27,770	24,149	15
Other, including Information Technology and Plantation Services	6,874	4,041	70
Group	311,478	244,294	28

For a detailed analysis of performance, refer the Industry Group-wise Financial Analysis of this Review.

Composition of Revenue incl. Equity Accounted Investees



Earnings Before Interest Expense, Tax, Depreciation and Amortisation

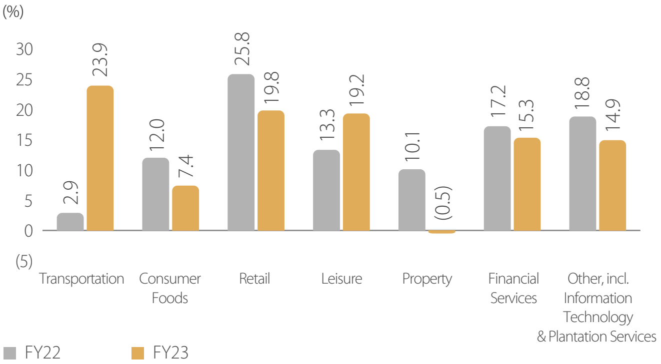
Group Earnings Before Interest Expense, Tax, Depreciation and Amortisation (EBITDA) increased by 52% to Rs.44.56 billion during the year under review [2021/22: Rs.29.26 billion] mainly on account of the Transportation, Leisure, Financial Services and Retail industry groups. Whilst EBITDA growth was stronger in the first half of the year under review, the second half noted a slow down in the pace of growth.

Definition: Note that EBITDA includes interest income and the share of results of equity accounted investees which is based on the share of profit after tax but excludes all impacts from foreign currency exchange gains and losses (other than for equity accounted investees), to demonstrate the underlying cash operational performance of businesses.

Group EBITDA Reconciliation (Rs.million)	2022/23	2021/22	%
Group revenue excluding equity accounted investees	276,640	218,075	27
(-) Cost of sales	(227,190)	(180,430)	26
(+) Other operating income	3,261	2,615	25
(-) Selling and distribution expenses	(8,266)	(5,733)	44
(-) Administration expenses	(21,928)	(14,763)	49
(-) Other operating expenses	(9,826)	(7,608)	29
(+) Finance income	26,900	30,806	(13)
(-) Increase in insurance contract liabilities	(7,650)	(6,416)	19
(+/-) Change in fair value of investment property	879	(4,085)	122
(+) Share of results of equity accounted investees	7,574	1,898	299
(+) Depreciation and amortisation	11,284	8,560	32
(-) Exchange gain	(6,630)	(12,889)	(49)
	45,046	30,030	50
(-) Adjustments relating to policyholders at UA*	(488)	(768)	(37)
Group EBITDA	44,558	29,262	52

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

Composition of EBITDA



In terms of the composition of EBITDA, Transportation was the primary contributor with a 24% contribution, followed by Retail and Leisure with contributions of 20% and 19%, respectively.

As Group EBITDA includes the one-off impacts, the ensuing section discusses EBITDA on a recurring basis, excluding the one-off impacts.

Fair Value Gains/Losses on Investment Property

Fair value impacts on investment property (IP) were recorded at a gain of Rs.879 million in 2022/23 [2021/22: loss of Rs.4.08 billion], primarily owing to gains at Property [excluding Waterfront Properties (Private) Limited (WPL)], Leisure, WPL, and Other, including Information Technology and Plantation Services industry groups recording IP gains of Rs.388 million, Rs.201 million, Rs.137 million, and Rs.131 million, respectively.

Recurring Adjustments

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

Routine adjustments:

- Note 1 - Removal of impacts of fair value gains on investment property (IP):

  This excludes IP gains at the Property industry group as the Group's land banking strategy is aimed at monetising such assets in the medium-term; IP gains are reflective of the core operations of the Property industry group. IP gains pertaining to industry groups other than Property have been adjusted at a Group level. Whilst this is the usual norm, there are certain exceptions - refer Note 3 below.

  On this basis, net fair value gains pertaining to all industry groups, other than Property, stood at Rs.353 million [2021/22: Rs.203 million].

One-offs/adjustments specific for 2022/23:

- Note 2 - The following one-off impacts from performance related initiatives were excluded:
  1. 2022/23 includes a reversal in the long-term cash-based incentive provisions, the plan of which was articulated in the 2018/19 Annual Report, due to the unprecedented nature of challenges faced by the country and the businesses across four years of disruption, and the resultant performance impact to businesses.
  2. The Group identified a road map of well-defined advanced analytics use cases, to be rolled out across select Group businesses from the inception of the programme in 2018/19. While the programme has been extremely successful, as elaborated elsewhere in the Report, the roll-out of certain use cases were delayed from what was originally planned due to numerous disruptions such as the pandemic and the financial crisis in the country. Accordingly, the costs of some of these use cases, which were expected to be passed down to the related businesses, were written off, as a prudential measure.

- Note 3 - Further to the impairment loss recognised last year at Saffron Aviation (Private) Limited (SAL), the operating company of 'Cinnamon Air', the Group revisited its overall exposure to SAL given the continued multiple setbacks faced by the tourism industry in the recent years which impacted the operating performance of the business. Accordingly, a provision for impairment of the investment in preference shares of SAL by Whittall Boustead Travel Limited was recorded during the year under review.

- Note 4 - Given the significant revision of corporate income tax rates from 1 October 2022 by virtue of the Inland Revenue (Amendment) Act No. 45 of 2022, the Group revisited the cumulative deferred tax provisions in line with the new tax rates across its businesses. Accordingly, since the deferred tax for 2022/23 was computed based on the amended rates, the cumulative income tax differentials were adjusted to reflect the tax provision on a recurring basis.

  It is pertinent to note that the share of results of equity accounted investees in the Financial Statements are shown net of all related taxes. Thus, in calculating recurring EBITDA, recurring EBIT and recurring PBT, the recurring performance analysis adjusts the one off impact on the deferred tax provisions of equity accounted investees. This amounts to Rs.1.72 billion.

One-offs/adjustments specific for 2021/22:

- Note 5 - Given the steep depreciation of the LKR/USD exchange rate witnessed towards the latter end of 2021/22, where the LKR recorded a decline of 52% during 2021/22 to Rs.305.00 as at 31 March 2022, the impacts of all foreign exchange gains/losses have been eliminated in arriving at the recurring performance.

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

  The related impacts of exchange gains and losses in the current year have also been adjusted for comparative purposes.

- Note 6 - The one-off impacts at the following Transportation companies were excluded: SAGT, Lanka Marine Services (LMS) and SAL.

  i. Given the impending end of the concession on the 30-year build, operate and transfer (BOT) agreement of SAGT in CY2029, an impairment of goodwill arising from the difference of the original investment and carrying value of the investment was recognised in 2021/22.

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

  iii. Given the multiple setbacks faced in the recent years from the Easter Sunday attacks in CY2019, the subsequent pandemic driven impacts on tourism, and operating conditions thereafter, an impairment loss was recognised at SAL.

- Note 7 – Given market conditions and uncertainty, the steep depreciation of the Rupee and the outlook on USD linked rental for commercial space, as a prudential measure, WPL re-assessed the fair value of the office spaces at the 'Cinnamon Life Integrated Resort', and, accordingly, recognised an impairment loss of Rs.4.90 billion on its IP. In keeping with the functional reporting currency of WPL, the IP value of the property is recognised in US Dollars. The prudential provisioning was on the basis of having flexibility in structuring commercial arrangements in line with market conditions. This impairment is included under the Property industry group.

- Note 8 - The significant foreign currency exchange gain at the Holding Company in 2021/22, as detailed under Note 5 above, will be taxed upon realisation as per the current tax regulations. Accordingly, a deferred tax provision amounting to Rs.3.21 billion was recognised in 2021/22.

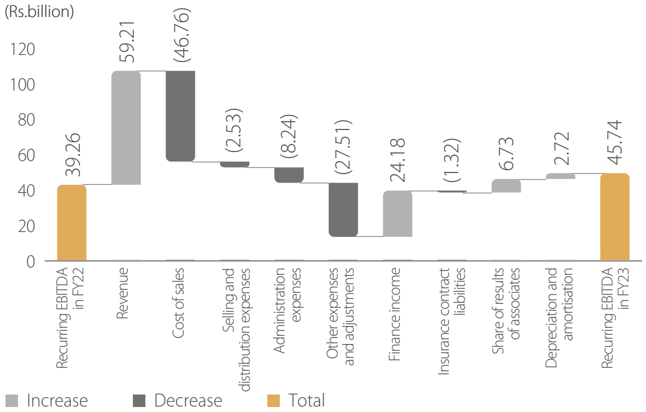
Adjustments (as already captured in reported results) (Rs.billion)		Group		Holding Company	
		2022/23	2021/22	2022/23	2021/22
Routine adjustments:					
Impacts of fair value gains/losses on investment property (IP), excluding Property	Note 1	0.35	0.20	N/A	N/A
Adjustments stemming from 2022/23:					
One-off impacts from performance related initiatives	Note 2	(0.06)	N/A	(0.53)	N/A
Provision for impairment of WBTL's shares in SAF	Note 3	(0.42)	N/A	N/A	N/A
Deferred tax impact from a change in tax rates	Note 4	(1.72)	N/A	N/A	N/A
Adjustments stemming from 2021/22:					
Net exchange gains	Note 5	6.63	12.89	9.46	18.63
One-off impacts in Transportation companies	Note 6	N/A	(5.30)	N/A	(0.51)
Fair value loss on IP at WPL	Note 7	N/A	(4.90)	N/A	N/A
One-off deferred tax charge at JKH	Note 8	N/A	(3.21)	N/A	(3.21)

Recurring EBITDA

The recurring performance analysis entails the removal of one-off impacts in order to demonstrate the performance of the core operations of the businesses.

The recurring EBITDA for the year under review recorded an increase of 17% to Rs.45.74 billion, compared to Rs.39.26 billion recorded in the previous year. As evident from the ensuing graph, although revenue recorded a significant increase during the year under review, this was offset by various cost pressures stemming from the challenging operating environment, some costs of which were transitory.

Recurring EBITDA
(Rs.billion)



The recurring EBITDA breakdown for each of the industry groups are given below.

Recurring EBITDA (Rs.million)	2022/23	2021/22	%
Transportation	11,963	6,141	95
Consumer Foods	3,184	3,485	(9)
Retail	8,779	7,549	16
Leisure	8,604	3,785	127
Property	(265)	7,867	(103)
Financial Services	6,451	5,024	28
Other, including Information Technology and Plantation Services	7,024	5,408	30
Group	45,740	39,259	17

The recurring EBITDA of the Property industry group was affected on account of two factors; firstly, the financial year 2021/22 included the recognition of sales from the 'Cinnamon Life Integrated Resort' whereas there was no revenue recognition in the current year; and secondly, the impact of one-off cost escalations on the construction costs at 'TRI-ZEN' due to the steep depreciation of the Rupee and the rise in global commodity prices and freight costs. While the cost escalation impact is allocated to the profit recognition on the project, there was an adjustment in the current year to reflect the cost impact on the sales already recognised in the previous financial years. This affected the current year's profitability materially. Although this impact is one-off, this was not adjusted when arriving at the recurring EBITDA in the current year, which can be considered understated on account of this adjustment. Since this adjustment has been fully absorbed in the current financial year, going forward, the revenue recognition of 'TRI-ZEN' will result in positive profit recognition over the ensuing quarters up to and including project completion.

For a detailed industry-group wise analysis, refer the Industry Group-wise Financial Analysis of this Review.

Recurring EBITDA Margins (%)	2022/23	2021/22
Transportation	12.7	14.0
Consumer Foods	10.2	16.6
Retail	8.2	8.3
Leisure	21.6	20.0
Property	(5.8)	19.0
Financial Services	23.2	20.8
Other, including Information Technology and Plantation Services	102.2	133.8
Group	14.7	16.1

Industry Group-wise Quarterly Performance

The following provides an insight to the performance of the industry groups across the quarters.

- Although there were no pandemic related disruptions in Q1, there were numerous challenges and macroeconomic pressures emanating from a precarious external financing position, including a severe fuel shortage, scarcity of essential commodities, including food and medicines, and disruptions to power. Despite this, the Group reported a strong performance, which was a significant improvement over the comparative period of last year, with all businesses witnessing a sustained recovery momentum. The Group's Leisure businesses, in particular, continued to record a significant turnaround in performance primarily due to the Maldivian Resorts. It should be noted that the performance of the comparative quarter was somewhat distorted due to the business disruptions on account of the imposition of island-wide travel restrictions.

- Despite the challenging operating environment in Q2, the Group reported a strong performance with all businesses recording an increase in profitability, except for the Property industry group. The day-to-day consumer and business activity gradually reverted to levels of normalcy from late July 2022 onwards, supported by political and social stability and less disruptions on account of the macroeconomic challenges. It is noted that the comparative quarter continued to be impacted by business disruptions stemming from the Covid-19 pandemic.

- Q3 witnessed the continuation of normal day-to-day consumer and business activity, supported by sustained political and social stability and less disruptions on account of the macroeconomic challenges. Whilst businesses witnessed a strong performance in contrast to the comparative quarter, cost pressures continued to impact businesses. The Consumer Foods industry group in particular noted a decline in profitability due to a contraction in volumes on account of price increases undertaken in several stock keeping units (SKUs) to address rising costs, mitigate margin pressure, and declining disposable incomes.

- The overall macroeconomic stability of the country improved during the fourth quarter aiding tourism and the Group's Sri Lankan Leisure businesses. However, consumer disposable income contracted further with the increase in personal income taxes implemented from 1 January 2023, which impacted the Group's consumer focused businesses, in particular.

Group Revenue 2022/23	**Rs.million**				**YoY %**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	23,969	20,233	15,335	14,108	343	161	102	27
Consumer Foods	7,657	8,457	7,298	7,856	107	85	34	8
Retail	25,624	25,835	28,040	27,349	27	24	8	15
Leisure	8,623	8,030	10,631	12,394	346	160	90	50
Property	590	695	402	436	(84)	(91)	(88)	(98)
Financial Services	3,356	3,970	4,873	4,003	11	2	1	2
Other, including Information Technology and Plantation Services	1,695	1,845	1,659	1,674	71	84	88	44
Group	71,516	69,065	68,239	67,820	84	40	27	(11)

Recurring EBITDA 2022/23	**Rs.million**				**YoY %**			
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Transportation	4,551	3,035	2,840	1,537	345	153	103	(39)
Consumer Foods	1,233	1,009	402	540	288	68	(60)	(65)
Retail	2,319	1,963	2,320	2,176	48	48	2	(9)
Leisure	1,869	1,005	1,898	3,831	(388)	(2,278)	54	18
Property	(140)	(279)	(312)	466	(126)	(122)	(144)	(91)
Financial Services	877	1,104	2,571	1,899	14	12	22	64
Other, including Information Technology and Plantation Services	2,623	1,457	1,746	1,198	119	35	117	(49)
Group	13,333	9,294	11,465	11,647	180	45	20	(37)

Refer the Industry Group-wise Financial Analysis and the Operational Review for a detailed discussion of quarterly performance.

Depreciation and Amortisation

The depreciation and amortisation expense for the year stood at Rs.11.28 billion, an increase of 32% against the depreciation for 2021/22 at Rs.8.56 billion. It is noted that the depreciation and amortisation expense also includes the amortisation of lease liabilities as per SLFRS 16 - Leases.

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

- the Maldivian Resorts segment, mainly on account of the translation impact stemming from the amortisation of leases across the Maldivian Resorts given its USD denomination;
- the Supermarket business, driven by an increase in assets on account of the roll-out of four new outlets and the acquisition of leasehold land, conversion of three outlets to the extended store format, and capitalisation costs pertaining to the advanced data analytics transformation programme. A notable increase in the depreciation of LogiPark International (Private) Limited also contributed to this increase.

Finance Income

Group finance income stood at Rs.26.90 billion during the year under review, a decrease of 13% [2021/22: Rs.30.81 billion], the composition of which is given in the table below.

Finance Income (Rs.million)	**2022/23**	**2021/22**
Interest income from life insurance policy holder funds at UA	8,474	5,333
Interest income of Group excluding UA	8,385	6,421
Other finance income	10,041	19,052
Total	26,900	30,806

- Interest income associated with UA of Rs.8.47 billion [2021/22: Rs.5.33 billion], net of related costs, is classified under operating segment results on the basis that the interest income from life insurance funds is considered operational income.
- The interest income of the Group, excluding UA, increased to Rs.8.39 billion [2021/22: Rs.6.42 billion], primarily stemming from the Holding Company. The increase in interest income was driven by higher interest rates as well as the translation impact on the foreign currency denominated interest income, which was partially offset by a decline in

cash and cash equivalents at the Holding Company on account of the planned utilisation for equity infusions in investments. The repayment of the USD 100 million six-month bridging loan facility in June 2022 at WPL, the project company of the 'Cinnamon Life Integrated Resort', obtained as part of the refinancing of the USD 395 million syndicate term loan facility, and the conversions of USD cash holdings in line with the Group's funding strategy also contributed to the reduction in cash holdings. It should be noted that the USD cash balances are held as part of a conscious strategy of maintaining a balance sheet hedge against the long-term USD borrowings of the Group, where the interest expenses in relation to such borrowings are reflected in finance expenses.

- The decrease in other finance income to Rs.10.04 billion is primarily attributable to the decrease in the exchange gains to Rs.9.46 billion compared to Rs.18.63 billion in the preceding year, mainly on account of the relatively lesser exchange rate impact on the Holding Company's net foreign currency denominated cash holdings during the current year as compared to the sharp impact in the previous year. As outlined, the foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown from the IFC long-term loan facility.

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

Finance Expense

The finance expense, which includes interest expense of the Group, increased by 153% to Rs.17.80 billion, compared to Rs.7.03 billion recorded in 2021/22. Whilst the total debt level of the Group including lease liabilities, decreased by Rs.4.17 billion to Rs.264.06 billion [2021/22: Rs.268.23 billion], the significant increase in interest rates as a result of the contractionary monetary policy measures and the translation impact from foreign currency interest expenses, contributed to the increase in finance expenses.

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

- Holding Company – on account of (1) the translation impact of the IFC loan interest, (2) notional non-cash interest of Rs.1.83 billion charged in line with market rates on the convertible debentures issued during the year, in line with the accounting treatment, despite the significant difference between the market rate and the 3% coupon rate and (3) an increase in Rupee borrowing costs in line with the planned funding strategy of the Group at this juncture.
- Retail industry group – in lieu of the rise in interest rates which affected facilities obtained for the funding of the roll-out of new outlets and increased working capital requirements to manage the supply chain disruptions in Q1 and Q2, in particular, and an increase in the funding costs associated with the distribution centre of the Supermarket business. The Office Automation business also noted an increase due to the increasing rate trends during the year.
- Leisure industry group – due to the multiple facilities obtained across the businesses to better navigate through the challenges stemming from the Covid-19 pandemic in the recent years and the continued downturn in tourism. The translation impact on foreign currency interest also contributed to this increase.

In terms of composition, the largest contributor to finance expense was Other, including Information Technology and Plantation Services, accounting for 50% of total finance expense, followed by Retail (23%) and Leisure (17%).

INSIGHTS

Private Placement of Convertible Debentures to HWIC Asia Fund

In August 2022, the Company raised funds by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada.

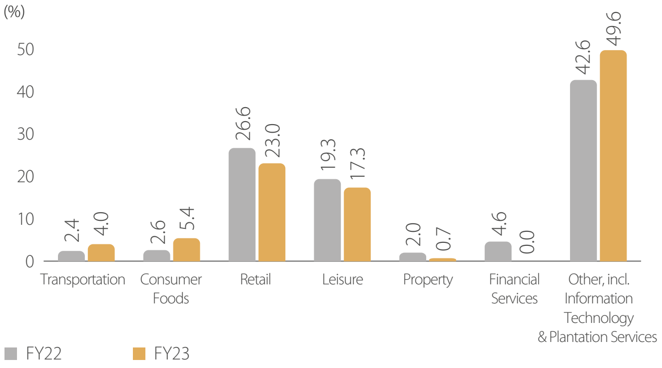
- Rs.27.06 billion was raised by issuing 208,125,000 Sri Lankan Rupee denominated unrated, unlisted, unsecured convertible debentures at an issue price of Rs.130 per debenture.
- The debentures have a maturity period of three years and will accrue interest at a rate of 3% per annum. The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period commencing from 12 February 2024 to 12 August 2025.
- The maximum number of ordinary shares that would potentially be issued under the conversion of the debentures would be 208,125,000 ordinary shares.

Accounting Treatment:

- The convertible debentures were benchmarked against an equivalent plain vanilla debenture in order to segregate the liability (which is debt-like) and equity components associated with the transaction, as per the accounting standards.
- The resultant liability embedded in the convertible debentures was recognised under non-current financial liabilities, whilst the residual of Rs.10.51 billion was recognised under other capital reserves. As at 31 March 2023, the liability under non-current financial liabilities in lieu of the convertible debentures stood at Rs.18.38 billion.
- The movement of the liability is as noted below. In the event of a conversion of the debentures, the liability outstanding as at the date of conversion will be transferred to equity, in addition to the residual that is already recognised under capital reserves.
- Whilst the cash outlay in lieu of the convertible debentures stand at a nominal interest of 3% charged on the par value of the convertible debentures, the interest charged to the income statement is based on a market interest rate, which was determined upfront, and the corresponding liability. Whilst the market interest rate will remain static throughout the tenure of the instrument, the liability will increase quarterly.
- Accordingly, the notional interest rate charged to the Income Statement will marginally increase across time as illustrated in the table below.

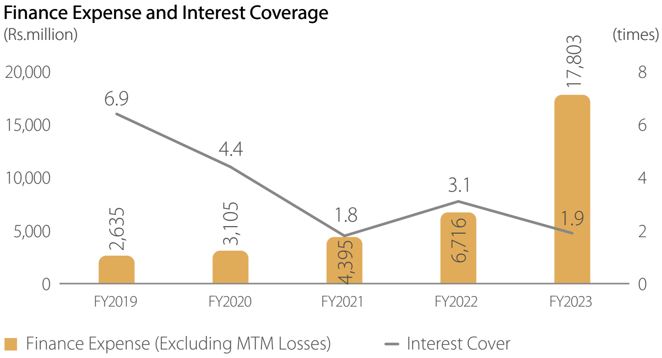
Rs.million	2022/23	2023/24	2024/25	2025/26
Opening balance	-	18,380	21,595	25,511
Recognition of liability	16,550	-	-	-
Interest charged to the Income Statement	2,239	4,027	4,730	1,947
Interest paid	(409)	(812)	(814)	(403)
Conversion to equity/ repayment	-	-	-	(27,056)
Closing balance	**18,830**	**21,595**	**25,511**	**-**

Composition of Finance Expense



The interest cover of the Group, excluding unrealised losses on UA's equity portfolio, stood at 1.9 times in comparison to 3.1 times in 2021/22. The movement in the interest coverage stems primarily from the 153% increase in finance expense compared to only a 60% increase in EBIT.

Finance Expense and Interest Coverage



Profit Before Tax

The Group profit before taxation (PBT) stood at Rs.22.59 billion for the year under review, a 17% decrease against the previous year [2021/22: Rs.27.32 billion].

The recurring Group PBT stood at Rs.17.14 billion for the year under review, a 30% decrease against the previous year [2021/22: Rs.24.43 billion].

Taxation

As per the new Inland Revenue (Amendment) Act No. 45 of 2022, which was implemented with effect from 1 October 2022, the standard income tax rate was increased to 30% from 24% and exemptions and concessionary tax rates of 14% and 18% applicable on identified gains and profits and on select industries, was also increased to 30%. The increase in tax rates had implications on the tax expense for 2022/23. The change in tax rates also warranted the deferred tax for 2022/23 to be computed based on the revised tax rates, whereby the Group recorded notable changes to the cumulative deferred tax provisions.

Accordingly, the Group recorded a tax expense of Rs.3.69 billion for the year under review [2021/22: Rs.6.88 billion]. The Group tax expense primarily comprises of a current tax charge of Rs.4.61 billion [2021/22: Rs.3.21 billion] and a deferred tax reversal of Rs.921 million [2021/22: charge of Rs.3.43 billion].

It is also noted that 2021/22 entailed a one-off deferred tax provision at the Holding Company. As noted previously, since the significant foreign currency exchange gain at the Holding Company for 2021/22 will be taxed upon realisation as per the tax regulations at the time, a deferred tax provision was recognised in 2021/22. Other, including Information Technology and Plantation Services, Financial Services and Transportation were the highest contributors to the Group tax expense recording tax expenses of Rs.3.23 billion, Rs.1.07 billion and Rs.560 million respectively.

It should also be noted that the Colombo Ice Company (Private) Limited (CICL) recognised a one-off tax reversal amounting to Rs.755 million arising from the additional deduction due on account of enhanced capital allowance on its investment in the impulse factory.

Accordingly, excluding the distortionary effects of profits from associates, which is consolidated net of tax, and the above-mentioned adjustment at CICL, the effective tax rate (ETR) on Group profits stood at 30% against and ETR of 27% recorded in 2021/22.

INSIGHTS

The new Inland Revenue (Amendment) Act No. 45 of 2022 introduced notable changes to the corporate income tax rates, which was implemented with effect from 1 October 2022. The ensuing table highlights the impact on Group businesses:

Industry Group	Previous Rate	Revised Rate
Transportation	14%	30% 15% on dividends (direct or deducted at source)
Consumer Foods	18% applicable on the manufacturing sector	
Retail	24%	
Leisure	14% for the promotion of tourist activities	
Property	14% for construction services	
Financial Services	24% for insurance, banking and stock broking businesses	
Other, including Information Technology and Plantation Services	Information Technology – exempt Plantation Services – 14% John Keells Holdings PLC – 10% on capital gains, 14% on dividends and 24% on business income	

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

Profit After Tax

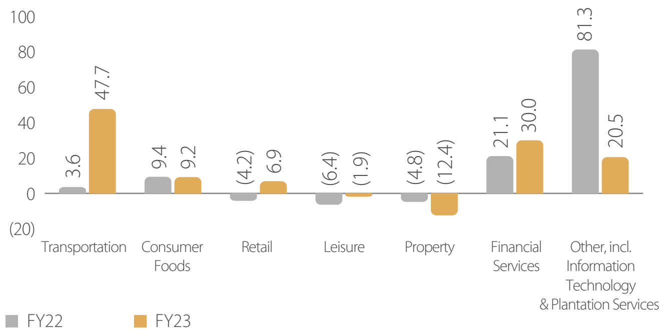
The Group profit after taxation (PAT) stood at Rs.18.90 billion for the year under review, a decrease of 8% [2021/22: Rs.20.44 billion].

As indicated in the graph below, the highest contributors to Group PAT were, Transportation, Financial Services and Other, including Information Technology and Plantation Services with contributions of Rs.9.01 billion [2021/22: Rs.733 million], Rs.5.67 billion [2021/22: Rs.4.31 billion] and Rs.3.88 billion [2021/22: Rs.16.63 billion], respectively.

For the recurring performance analysis, the reported PAT will be adjusted for all the impacts detailed under Recurring Adjustments. On this basis, the recurring Group PAT decreased by 32% to Rs.14.11 billion [2021/22: Rs.20.76 billion].

FINANCIAL AND MANUFACTURED CAPITAL REVIEW

Composition of Group Profit After Tax
(%)



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

Rs.million	2022/23	2021/22	%
PAT attributable to equity holders	18,174	20,213	(10)
Non-controlling interest (NCI)	722	230	214
Group PAT	18,896	20,443	(8)

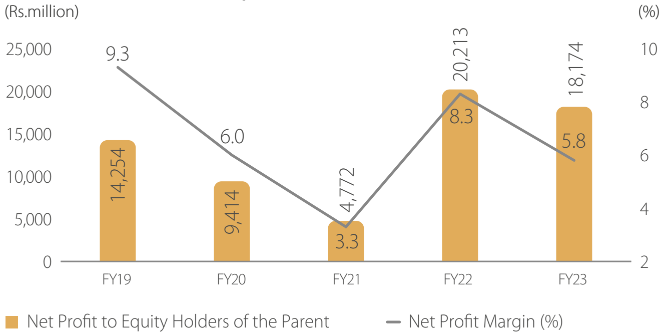
Non-Controlling Interests (NCI)

PAT attributable to shareholders with NCI stood at Rs.722 million in 2022/23, a 214% increase primarily on account of better profitability at Tea Smallholders PLC, in which the Group owns an effective stake of ~38%. Better profitability in the Leisure industry group, in which the Group owns effective stakes of ~80%, and an improvement in the profitability of the Group's 90% owned insurance business, UA, also contributed to the increase in PAT attributable to NCI.

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

PAT attributable to equity holders of the Parent decreased by 10% to Rs.18.17 billion [2021/22: Rs.20.21 billion]. The net profit margin of the Group decreased to 5.8% from 8.3% in the previous year. The recurring net profit attributable to equity holders decreased by 35% to Rs.13.33 billion [2021/22: Rs.20.41 billion], whilst the recurring net profit margin of the Group decreased to 4.3%, against the 8.4% in 2021/22.

Net Profit and Net Profit Margin
(Rs.million) (%)



Despite the challenging and unprecedented years, the Group has carried out significant investments which have continued steadfastly, maintaining the depth and breadth of the Group's long-term investment strategy which is now coming in fruition.

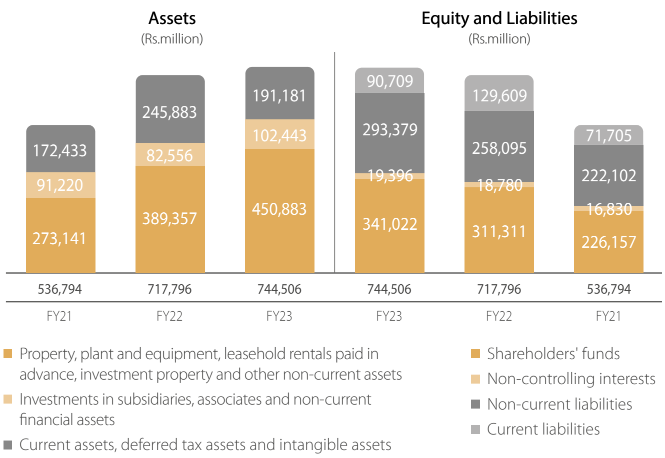
Performance of the Holding Company

Rs.million	2022/23	2021/22	%
Revenue	2,544	1,876	36
Dividend income	10,635	8,008	33
Finance income	16,328	24,198	(33)
Finance expenses	(8,779)	(2,966)	196
Profit before tax	16,767	28,284	(41)
Recurring profit before tax*	7,841	10,163	(23)
Profit after tax	14,709	24,381	(40)
Recurring profit after tax*	5,783	9,470	(39)

Adjusted for the recurring impacts discussed under* **Page 82.

- The increase in revenue is primarily on account of higher commercial fees from Group businesses and associates as well as higher charges in lieu of the data analytics services rendered by OCTAVE - the Data and Advanced Analytics Centre of Excellence of the Group.
- Dividend income in 2022/23 recorded an increase due to higher dividend payments from Group subsidiaries and associates.
- Finance income, which comprises of both interest income and net exchange gains on the Group's USD denominated net cash balance, noted a decrease due to a significantly lower foreign currency exchange gains during the year. The repayment of the USD 100 million six-month bridging loan facility in June 2022 at WPL, the project company of the 'Cinnamon Life Integrated Resort', obtained as part of the refinancing of the USD 395 million syndicate term loan facility, and the conscious conversion of USD cash holdings in line with the Group's funding strategy also contributed to this reduction in cash holdings. Interest income noted an increase due to higher interest rates.
- Finance costs recorded a significant increase during the year on account of the translation impact of the IFC loan interest, the notional non-cash interest charged in line with market rates on the convertible debentures issued during the year, in line with the accounting treatment, despite the significant difference between the market rate and the 3% coupon rate and an increase in Rupee borrowings in line with the planned funding strategy of the Group, in addition to the increase in interest rates.

FINANCIAL POSITION



Group Assets

Group's total assets as at 31 March 2023 stood at Rs.744.51 billion, an increase of Rs.26.71 billion [2021/22: Rs.717.80 billion], primarily driven by an increase in property, plant and equipment (PPE), other non-current financial assets and investments in associates.

- The increase in PPE is primarily on account of construction costs pertaining to the 'Cinnamon Life Integrated Resort'. The construction costs associated with the hotel, retail and entertainment components of the 'Cinnamon Life Integrated Resort', which were captured as work-in-progress costs under other non-current assets, were reclassified as work-in-progress costs under PPE, given the transition of the assets of the hotel, retail and entertainment components under the Leisure industry group.
- The increase in other non-current financial assets stemmed from Union Assurance PLC, due to proceeds from investments.

INSIGHTS

Capital Expenditure

Despite the challenging and unprecedented years, the Group has carried out significant investments which have continued steadfastly, maintaining the depth and breadth of the Group's long-term investment strategy which is now coming in fruition.

The investments in recent years have focused on a refurbished portfolio of Leisure properties and the acquisition of a long-term lease on a new hotel in the Maldives. The Group has also doubled its store footprint in the Supermarket business to over 130 outlets and capacity and capability investments in the Frozen Confectionery and Insurance businesses.

The Group is confident of its ability to fund projects, if feasible, and as required, thereby optimising equity returns in the long run.

In addition to the routine maintenance capital expenditure, the key investments the Group will focus on in the near-term:

- Balance investment towards the completion of the 'Cinnamon Life Integrated Resort'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of 'Cinnamon Red Kandy'

LEVERAGE AND CAPITAL STRUCTURE

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

Total assets of Rs.744.51 bn as at March 2023

Funding Channels

- 46% Shareholder funds
- 3% Non-controlling interest
- 39% Long-term funding/ creditors
- 12% Short-term funding/ creditors

Group Debt and Net Debt/Cash

As noted previously, in August 2022, the Company raised funds by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), through the issuance of convertible debentures. The convertible debentures are recorded under non-current financial liabilities in the Balance Sheet. Given the conversion option of the debentures, the analysis on debt will be discussed in the following manner:

- Group debt will include long and short-term loans, including overdrafts, lease liabilities and the liability arising from the issuance of the convertible debentures. Instances where total debt excludes lease liabilities will be explicitly mentioned.
- Given that the debentures have the option of being converted to equity, all indicators are discussed under both these eventualities.

The below table illustrates the Group's debt position considering the impact of leases and the convertible debentures.

Group Debt (Rs.million)	2022/23		2021/22
	Including Convertible Debentures	Excluding Convertible Debentures	
Including leases	264,060	245,680	268,228
Excluding leases	229,749	211,369	234,701

The notable decrease in Group debt (excluding both lease liabilities and the convertible debenture liability) stemmed from Waterfront Properties (Private) Limited, the project company of the 'Cinnamon Life Integrated Resort', on account of the repayment of the USD 100 million six-month bridging loan facility in June 2022. This facility was obtained as part of the refinancing of the USD 395 million syndicate term loan facility. The Group recorded a net debt position (excluding both lease liabilities and the convertible debenture liability) of Rs.111.03 billion, a 43% increase against the net debt position in the preceding year, which stood at Rs.77.61 billion.

The decrease in Group debt (excluding lease liabilities and the convertible debenture liability) was primarily from Property, Transportation and Other, including Information Technology and Plantation Services industry groups with reductions of Rs.101.10 billion, Rs.4.07 billion and Rs.538 million, respectively. In this regard, the following is noted:

- The notable decline in debt in the Property industry group is due to (1) the transfer of all assets and liabilities pertaining to the hotel, retail and entertainment segments of the 'Cinnamon Life Integrated Resort' being now classified under the Leisure industry group, in line with the nature of operations, which at a Group level has no impact and (2) the aforementioned repayment of the USD 100 million six-month bridging loan.
- The decrease in the Transportation industry group primarily stemmed from a decrease in short-term borrowings at LMS, owing to lower working capital requirements and reduced constraints in issuing Letters of Credit.

FINANCIAL AND MANUFACTURED CAPITAL REVIEW

The net debt position (excluding both lease liabilities and the convertible debenture liability) of the Group increased to Rs.111.03 billion due to the reduction in cash balances and short-term investments of the Group [2021/22: Rs.77.61 billion].

The Group's net debt position (excluding lease liabilities and including the convertible debenture liability) stood at Rs.129.41 billion, a 67% increase against the previous year.

The increase in net debt is largely due to the reduction in cash balances at the Holding Company, as envisaged, in line with the equity infusions for the Group's investment pipeline and as morefully described under Cash and Cash Equivalents.

Group Debt (including lease liabilities and the convertible debenture liability)

Rs.**264.06** billion

2021/22: Rs.268.23 billion 2%

Group Debt (excluding lease liabilities, and including the convertible debenture liability)

Rs.**229.75** billion

2021/22: Rs.234.70 billion 2%

Group Debt (excluding both lease liabilities and the convertible debenture liability)

Rs.**211.37** billion

2021/22: Rs.234.70 billion 10%

Rs.million	Group Debt (excluding leases)			Net Debt (excluding leases)		
	2022/23	2021/22	%	2022/23	2021/22	%
Transportation	8,610	12,680	(32)	(1,068)	2,129	(150)
Consumer Foods	6,536	3,114	110	5,988	2,499	140
Retail	20,510	15,342	34	18,930	6,886	175
Leisure	102,439	28,634	258	98,569	25,888	281
Property	1,161	102,260	(99)	(7,752)	94,571	(108)
Financial Services	141	161	(13)	(12,857)	(17,799)	28
Other, including Information Technology and Plantation Services	71,972	72,510	(1)	9,219	(36,561)	125
Total (excluding Convertible debenture liability)	211,369	**234,701**	**10**	111,029	**77,611**	**43**
Convertible debenture liability*	18,380	N/A		18,380	N/A	
Total (including Convertible debenture liability)	229,749	**234,701**	**(2)**	129,409	**77,611**	**67**

**The convertible debenture liability is captured under the Other, including Information Technology and Plantation Services industry group. However, for illustration purposes, this has been shown separately.*

It should be noted that both Group debt and net debt excludes lease liabilities recorded from the adoption of SLFRS 16 – Leases. Lease liabilities as at 31 March 2023 stood at Rs.34.31 billion, a 2% increase against last year [2021/22: Rs.33.53 billion]. Additionally, net debt also excludes short-term investments of the life fund of UA, the restricted regulatory fund of UA and customer advances if any, as applicable.

		2022/23		2021/22
		Excluding convertible debenture liability	Including convertible debenture liability	
Asset turnover	(times)	0.4	0.4**	0.4
Capital employed	(Rs.million)	606,098	624,478	598,319
Total debt*	(Rs.million)	211,369	229,749	234,701
Net debt / (cash)*	(Rs.million)	111,029	129,409	77,611
Debt/equity ratio*	(%)	58.6	63.7	71.1
Net debt / (cash) to equity ratio*	(%)	30.8	35.9	23.5
Long-term debt to total debt*	(%)	75.6	77.5	67.7
Debt/total assets*	(%)	28.4	30.9	32.7
Liabilities to tangible net worth	(times)	1.1	1.1**	1.20
Debt/EBITDA*	(times)	4.7	5.2	8.0
Net debt (cash) /EBITDA*	(times)	2.5	2.9	2.7

**Excludes lease liabilities.*
***No impact from the inclusion of the convertible debenture liability*

Key indicators such as the net debt/equity ratio indicate the Group's ability to fund its investment pipeline, as and when required. It should be noted that debt and net debt/EBITDA ratios have improved largely on account of the significant turnaround in EBITDA as the businesses across the Group witnessed a strong recovery momentum and a growth in overall performance during the year under review, with most businesses reaching pre Covid-19 levels post the easing of restrictions.

INSIGHTS

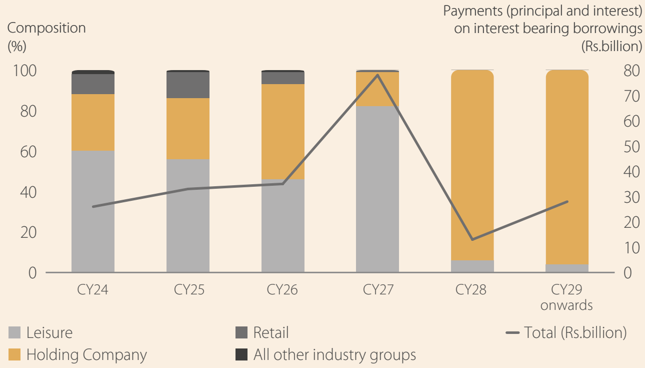
Maturity Analysis of Group Debt

In addition to the focus on the capital structure, which entails understanding the optimal level of debt financing and equity financing across the Group, emphasis is also placed on the dynamics of the debt structure, including the tenure of facilities, nature of facilities, amongst others.

The maturity profile of the Group's debt as at 31 March 2023 based on contractual undiscounted (principal plus interest) payments is illustrated below.

Apart from the analysis of the long-term debt, the following should be noted in the context of the total debt of the Group.

- Short-term borrowings stood at Rs.8.70 billion and bank overdrafts at Rs.30.05 billion, which are primarily working capital and trade finance facilities which are payable within 1 year. A majority of such facilities are revolving debt and is continually repaid and reborrowed, subject to fluctuations on operating volumes and seasonality.
- The residual portion of the Group's debt is attributable to interest-bearing loans and borrowings. The capital repayment and associated interest attributable to interest-bearing loans and borrowings is spread out across the medium to long-term thereby ensuring that operational cash flows would suffice in meeting such requirements.



The following should be noted with regard to the illustration above:

1. Interest bearing borrowings does not include the convertible debentures issued in August 2022. The liability component amounting to Rs.18.38 billion is recognised under Non-Current Financial Liabilities. In the event the debenture is not converted during the conversion window, an obligation for Rs.27.06 billion will materialise in August 2025.
2. The USD 225 million term loan facility at 'Cinnamon Life Integrated Resort', captured under Leisure, falls due for repayment in December 2026. Based on the structuring of the loan, ~75% of the loan is due for repayment in the final year where the intention and strategy would be to refinance a component at that juncture.
3. The USD 175 million term loan from IFC, captured under the Holding Company, falls due for repayment in equally amortising capital repayments from December 2024 onwards.

Contractual Undiscounted (principal plus interest) Payments (Rs.million)	Within 1 year 2023/24	Between 1-2 years 2024/25	Between 2-3 years 2025/26	Between 3-4 years 2026/27	Between 4-5 years 2027/28	More than 5 years 2028/29 onwards	Total
Interest-bearing loans and borrowings	25,794	32,964	35,025	77,783	13,380	28,315	213,262

Note: The notable increase in contractual undiscounted (principal plus interest) payments on in 2026/27 is in lieu of the USD 225 million term loan facility at 'Cinnamon Life Integrated Resort', captured under Leisure, falls due for repayment in December 2026.

Currency Mix of Group Debt

Where businesses have foreign currency denominated income, borrowings in foreign currency are obtained to optimise on the comparatively lower cost of foreign currency debt. This strategy has been practiced in the Leisure industry group, in particular, where foreign currency receipts are regularly monitored to proactively evaluate the borrowing capacity of the business. Currently, ~Rs.151.49 billion of overall debt is denominated in foreign currency, which translates to ~65% of total debt [2021/22: 84%].

In terms of foreign currency debt of the Group, the Leisure industry group comprises primarily of the USD 225 million term loan obtained for 'Cinnamon Life Integrated Resort' (repayment in December 2026), whilst the Holding Company includes the USD 175 million term loan obtained from IFC (repayment in June 2023).

It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is USD. Accordingly, the risk is largely hedged 'naturally' given the expectation of foreign currency linked revenue streams. Similarly, as at present, there is no foreign exchange translation risk on the IFC loan since there is an equivalent amount of cash retained in foreign currency at the Holding Company which provides a Balance Sheet hedge.

Statement of Changes in Equity

Total equity of the Group as at 31 March 2023 stood at Rs.360.42 billion, [2021/22: Rs.330.09 billion]. The increase was primarily in lieu of:

- Group profit after tax of Rs.18.90 billion during the year under review.
- Other comprehensive income of Rs.6.83 billion, which was driven largely by an increase in the foreign currency translation reserve on account of the translation impact on its foreign currency denominated subsidiaries and equity accounted investees, in particular WPL.
- An increase in the revaluation reserve which is attributable to the revaluation gains made on Investment Property, including the 9.38-acre land at Vauxhall Land Development Limited.
- Other capital reserve which increased by Rs.10.51 billion on account of the convertible debentures.

For a discussion on the ROCE and ROE of the Group, refer 'Strategy, Resource Allocation and Portfolio Management'.

CASH AND LIQUIDITY MANAGEMENT

Given the ongoing challenging landscape, the Group continued to evaluate its resilience under various stress-tested scenarios. The Group continued to follow the various processes, frameworks and measures undertaken in the previous years to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. The need for such scrutiny was much more pronounced, during the year under review, given the unprecedented challenges the Group was faced with due to the macroeconomic challenges stemming from the precarious external financing position of the country and the lack of liquidity in the foreign exchange markets, working capital financing and trade financing limitations.

Cash and Cash Equivalents

Group cash and cash equivalents as at 31 March 2023 stood at Rs.107.31 billion against Rs.163.10 billion in 2021/22. Group cash and cash equivalents comprise of Rs.25.09 billion as cash in hand and at bank and Rs.82.22 billion under short-term investments. It is pertinent to note that of this, the life fund at UA amounts to Rs.3.59 billion whilst the restricted regulatory fund at UA amounts to Rs.3.38 billion.

Despite the receipt of Rs.27.06 billion through the convertible debenture issued to HWIC Asia Fund during the year, the Group recorded a reduction in the Group's USD cash holdings. The repayment of the USD 100 million six-month bridging loan facility in June 2022 at Waterfront Properties (Private) Limited (WPL), the project company of the 'Cinnamon Life Integrated Resort', obtained as part of the refinancing of the USD 395 million syndicate term loan facility, and investments towards projects such as 'Cinnamon Life Integrated Resort' and the West Container Terminal -1 were the primary contributors to this decline. It is noted that the repayment of the WPL bridging loan had no implications on the Group at a net debt level.

In terms of the composition of the liquid assets of the Group, Other, including Information Technology and Plantation Services accounted for 65% of cash and cash equivalents, of which a majority of assets are in the Holding Company, followed by the Financial Services industry group.

Working Capital/Liquidity

Rs.million	2022/23	2021/22	%
Current assets	182,787	238,929	(23)
Current liabilities	90,709	129,609	(30)
Working capital	92,078	109,320	(16)

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

Current Liabilities: Current liabilities recorded a 30% decrease, primarily owing to a decrease in the current portion of interest-bearing loans and borrowings by Rs.27.79 billion, trade and other payables by Rs.13.60 billion, and short-term borrowings by Rs.6.13 billion.

Cash Flow

Cash and cash equivalents in the Statement of Cash Flows comprise of cash and short-term investments with a maturity of three months or less, and net of outstanding bank overdrafts. On this basis, as at 31 March 2023, cash and cash equivalents decreased by Rs.94.25 billion, to Rs.40.31 billion.

- Net cash flow from operating activities reflected an inflow of Rs.13.28 billion for 2022/23, primarily on account of cash generation from operations and higher net finance income.
- Net cash flow from investment activities reflected an outflow of Rs.78.89 billion, primarily due to purchases of Government securities in the Life Insurance business as part of the fund portfolio and increases in other non-current assets.
- Net cash from financing activities was an outflow of Rs.28.65 billion, primarily on account of the repayment of long-term borrowings across Group businesses, as outlined in detail in the ensuing section.

		2022/23	2021/22
Current ratio	(times)	2.0	1.8
Quick ratio	(times)	1.6	1.6
Working capital	(Rs.million)	92,078	109,320

The Group continued to follow the various processes, frameworks and measures to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. The need for such scrutiny was much more pronounced, during the year under review, given the unprecedented challenges the Group was faced with due to the macroeconomic challenges stemming from the precarious external financing position of the country and the lack of liquidity in the foreign exchange markets, working capital financing and trade financing limitations.

INDUSTRY GROUP-WISE FINANCIAL ANALYSIS

The ensuing section encompasses a detailed industry group-wise analysis of performance, whilst also providing insight to sector and business level movements, as applicable.

Transportation

Income Statement Indicators

Rs.million	2022/23	2021/22	%
Revenue*			
Transportation	78,189	34,727	125
Ports and Shipping	16,092	9,089	77
Total	94,281	43,816	115

Including share of revenue of equity accounted investees.

Transportation

- The significant increase in revenue stemmed from the Group's Bunkering business, Lanka Marine Services (LMS), which recorded a 135% increase in revenue driven by higher margins from the increase in global fuel oil prices as well as volumes. Volumes were aided by the business's preparedness in meeting demand, with LMS being the only importer of cargo at select times of the year, and the increase in domestic demand for fuel which arose due to the macroeconomic challenges in the country.
- The Bunkering business accounts for ~96% of revenue within the industry group, excluding equity accounted investees. The Logistics business recorded a 51% increase in revenue during the year under review, driven by new client acquisitions and increased rental rates.
- Mack Air Limited (MAL) also witnessed a rebound in operations in tandem with the resumption of tourism which led to a significant increase in revenue coupled with new initiatives the business undertook to increase its product offerings during the year under review.
- Mackinnons Travels Limited (MTL) recorded a growth in revenue on account of increased ticket prices and initiatives to access new customer segments.

Ports and Shipping

- The increase in revenue in the Ports and Shipping sector is mainly attributable to SAGT which recorded a growth on account of ancillary operations at the Port of Colombo (POC) despite a decline in volumes, in line with the overall Port of Colombo. SAGT's revenue also benefited from the steep depreciation of the Rupee.
- Maersk recorded a 73% increase in revenue aided by the increase in freight rates and the steep depreciation of the Rupee.
- IMMS recorded its first full year of operations during the year under review, with a sizeable increase in its topline.

Rs.million	2022/23	2021/22	%
EBITDA*			
Transportation	5,403	1,854	191
Ports and Shipping	5,228	(1,011)	617
Total	10,631	843	1,161
PBT**			
Transportation	4,342	2,025	114
Ports and Shipping	5,228	(1,011)	617
Total	9,570	1,014	844

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

***Share of results of equity accounted investees are shown net of all taxes but includes impacts from foreign currency exchange gains and losses.*

Transportation

- LMS recorded a significant increase in EBITDA during the year under review aided by the margin increases which was complemented by a translation impact of the Rupee.
- JKLL recorded a 6% increase in EBITDA due to a decrease in staff related costs and several productivity and digitisation initiatives to reduce the cost per cubic metre (CBM) despite the various cost pressures particularly with the high fuel prices.
- DHL Keells recorded a significant increase in EBITDA due to reduced costs from digitisation initiatives, favourable exchange impacts coupled with a strong increase in revenue.
- MAL noted a significant uptick in EBITDA compared to the previous year on the back of positive exchange impacts and higher interest income.
- Finance costs at LMS and JKLL increased on account of the high interest rate environment.

Ports and Shipping

- In addition to the strong revenue growth which resulted in an increase in EBITDA, the profitability of SAGT was also supported by various cost efficiency initiatives.
- During the year under review, SAGT recorded a one-off deferred tax charge amounting to Rs.1.35 billion on account of the significant change in income tax rates, as the share of results of equity accounted investees are consolidated net of all related taxes.
- Maersk recorded a 73% growth in EBITDA during the year under review [2021/22: 49%].

The recurring adjustments for 2022/23 entailed one-off impacts from performance related initiatives, as articulated in detail in the Financial Performance section of this Review. Similarly, the comparative year also entailed various one-off impacts, which has been adjusted in order to ensure a like-with-like comparison.

The recurring EBITDA of the industry group, post adjusting for the aforementioned one-off impacts stood at Rs.11.96 billion, a 95% increase against the previous year [2021/22: Rs.6.14 billion].

Balance Sheet Indicators

Rs.million	2022/23	2021/22	%
Debt*			
Transportation	8,610	12,680	(32)
Ports and Shipping	-	-	-
Total	8,610	12,680	(32)

Excludes lease liabilities.

- The decrease in debt at the close of the year under review of the industry group is mainly attributable to a reduction in short-term borrowings at LMS, owing to lower working capital requirements and reduced constraints in issuing letters of credit. This was partially offset by higher borrowings at JKLL on account of working capital requirements.
- Lease liabilities as at 31 March 2023 stood at Rs.573 million [2021/22: Rs.109 million]. Total debt including leases stood at Rs.9.18 billion as at 31 March 2023 [2021/22: Rs.12.79 billion].

Consumer Foods

Income Statement Indicators

Rs.million	2022/23	2021/22	%
Revenue			
Beverages and Frozen Confectionery (FC)	26,385	17,588	50
Convenience Foods	4,884	3,420	43
Total	31,269	21,008	49

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

Beverages and FC businesses

(%)	Q1	Q2	Q3	Q4	2022/23
Beverages (CSD) revenue growth	91	70	26	(6)	34
Beverages (CSD) volume growth	56	13	(19)	(40)	(7)
FC revenue growth	109	89	42	19	57
FC volume growth	31	6	(19)	(30)	(7)

- As outlined in the Industry Group Operational Review, the Beverages (CSD) and FC businesses recorded strong revenue growth during the first half of 2022/23 of 79% and 98%, respectively in comparison to the growth of 3% and 9% for the same comparative period in the previous year.
- Despite the macroeconomic challenges in the first and second quarters, both the Beverages and FC businesses recorded volume growth, with volumes exceeding pre-pandemic levels. It should be noted that the percentage growth in volumes is reflective of the comparative low base in both quarters of the previous year which were impacted by pandemic-related disruptions. Price increases undertaken across the product portfolio, to mitigate margin pressure, has also contributed to the growth in revenue.
- During the third quarter of 2022/23, volumes of the Beverages and FC businesses were impacted on account of price increases and declining consumer disposable incomes, leading to prioritisation of essential items over non-essential items, which dampened demand.
- In the fourth quarter of 2022/23, the increase in personal income taxes further impacted consumer disposable income, leading to a 6% decline in revenue for the Beverages (CSD) business. In contrast, the FC business achieved a 19% revenue growth, driven by the Impulse segment given its affordable price point per unit and smaller pack size.
- The Impulse segment, which garner higher margins than the Bulk segment, was the main driver of revenue growth of the FC business. The Bulk:Impulse revenue mix was at 44:56 during the year under review, as compared to 51:49 in 2021/22.

Convenience Foods

(%)	Q1	Q2	Q3	Q4	2022/23
Convenience Foods revenue growth	75	67	34	(2)	39
Convenience Foods volume growth	14	(11)	(33)	(48)	(22)

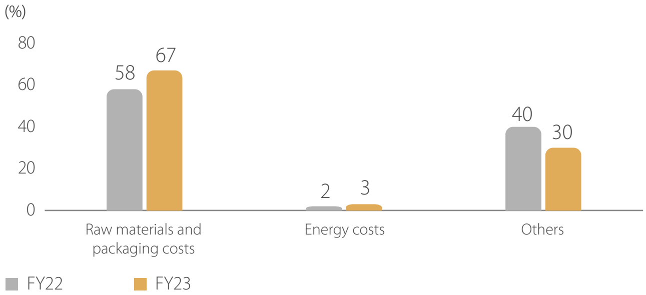
- Similar to the Beverages and FC businesses, the Convenience Foods business undertook price increases during the first half of the year under review, to mitigate the pressure on margins from the escalation in raw material prices and input costs. The price increases coupled with declining disposable incomes contributed to a contraction in demand and resultantly volumes across the quarters, especially due to preference for smaller pack sizes. The additional pressure on disposable income on account of the increase in personal income taxes further dampened demand during the fourth quarter under review, with the resultant decrease in revenue.
- The general trade, modern trade and hotels, restaurants, catering (HORECA) channels recorded a decline in volumes of 25%, 23% and 26%, respectively. However, the hotel channel recorded a growth of 23% during the year in line with the gradual resumption of tourism although off a pandemic-impacted base.

Rs.million	2022/23	2021/22	%
EBITDA*			
Beverages and FC	2,854	2,953	(3)
Convenience Foods	442	549	(19)
Total	3,296	3,502	(6)
PBT			
Beverages and FC	1,108	1,962	(44)
Convenience Foods	55	385	(86)
Total	1,163	2,347	(50)

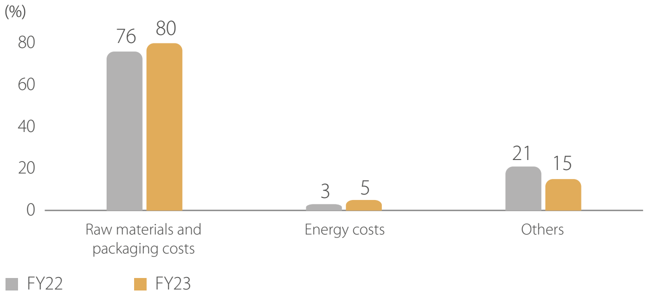
**Note that EBITDA includes interest income but excludes all impacts from foreign currency exchange gains and losses, to demonstrate the underlying cash operational performance of businesses.*

As outlined in the Industry Group Operational Review, the significant increase in raw material prices during the first half of the year under review resulted in the proportion of raw material and packaging costs against cost of sales increasing in comparison to 2021/22, specially in the Beverages business.

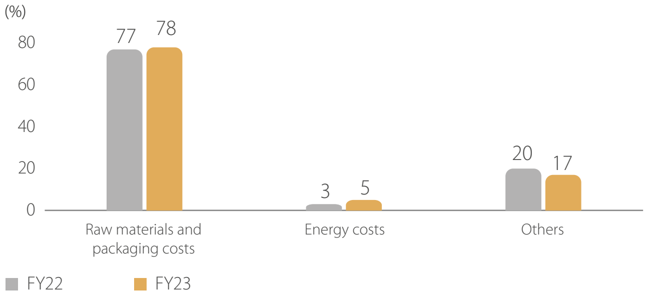
The Cost of Sales Composition of the Beverages Business



The Cost of Sales Composition of the FC Business



The Cost of Sales Composition of the Convenience Foods Business



- The performance of the first half of the year under review was supported to an extent by price increases which insulated the impact of eroding margins, together with the benefit of operating leverage on account of the growth in volumes and forward buying of raw materials.
- With global raw material prices gradually reducing from its peak levels witnessed, together with declining freight costs, the gradual easing of the country's foreign exchange liquidity position and improved raw material availability, the costs of raw material declined in the second half of 2022/23, with impacts more pronounced in the fourth quarter. However, the decline in operating leverage continued to impact margins.
- The Convenience Foods business witnessed a similar trend in raw material prices, in line with the Beverages and FC businesses.

	Q1	Q2	Q3	Q4
Beverages and FC EBITDA (Rs.million)	1,041	843	322	648
Beverages and FC EBITDA growth (%)	332	68	(60)	(54)
Convenience Foods EBITDA (Rs.million)	192	166	80	3
Convenience Foods EBITDA growth (%)	151	70	(60)	(98)

- During the year under review, the EBITDA margin of the Beverages and FC businesses and Convenience Foods business stood at 11% and 9%, respectively [2021/22: 17% and 16%, respectively].
- In addition to the increase in raw material costs, other input costs, such as fuel, gas, electricity, and salary costs significantly increased due to the volatile macroeconomic conditions.
- The social security contribution levy (SSCL) imposed with effect from October 2022 impacted the other operating expenses of the businesses.
- The PBT of the industry group was impacted by the significant increase in interest costs due to additional working capital requirements coupled with the sharp increase in interest rates.
- During the year under review, the FC business recognised a deferred tax reversal arising from the additional deduction due to enhanced capital allowance on its capital investment at the Colombo Ice Company (Private) Limited (the Impulse factory). At a PAT level, this reversal was able to offset the impact of the increase in the corporate income tax rates from 18% to 30% during the second half of the year.

The recurring adjustments for 2022/23 entailed a reversal in the long-term cash-based incentive provisions, as articulated in detail in the Financial Performance section of this Review.

The recurring EBITDA which excludes fair value gains and losses on investment property pertaining to CCS and the reversal in the long-term cash-based incentive provision, amounted to Rs.3.18 billion, a 9% decline against the previous year [2021/22: Rs.3.48 billion].

The PAT of the industry group was also impacted by a deferred tax provision amounting to Rs.510 million as discussed in detail in the Financial Performance section of this Review.

Balance Sheet Indicators

Rs.million	2022/23	2021/22	%
Assets			
Beverages and FC	19,429	16,309	19
Convenience Foods	4,009	3,199	25
Total	23,438	19,508	20
Debt*			
Beverages and FC	5,306	2,783	91
Convenience Foods	1,230	331	272
Total	6,536	3,114	110

**Excludes lease liabilities.*

- During the year, the industry group did not undertake sizeable investments due to the macroeconomic conditions, apart from routine maintenance capital expenditure.
- The Beverages and FC businesses invested in ~1,900 freezers and coolers during the year under review [2021/22: ~3,700].
- The Beverages business recognised increased capital costs pertaining to the advanced data analytics transformation programme during the year under review.
- As at the end of 2022/23, the value of inventory of businesses in the industry group increased on account of inflation.

- A series of cash flow and working capital management initiatives were implemented across the year in response to the macroeconomic challenges and supply chain disruptions that impacted working capital cycles. As a result, the balances of trade receivables and trade payables at the end of 2022/23 decreased in comparison to the previous year.
- The increase in debt is primarily attributable to the overdraft facilities obtained to manage working capital requirements.
- Lease liabilities as at 31 March 2023 stood at Rs.158 million [2021/22: Rs.147 million]. Total debt including leases stood at Rs.6.70 billion as at 31 March 2023.

Retail

Income Statement Indicators

Rs.million	2022/23	2021/22	%
Revenue			
Supermarkets	99,773	67,085	49
Office Automation	7,076	23,757	(70)
Total	106,849	90,842	18
EBITDA*			
Supermarkets	7,504	5,204	44
Office Automation	1,328	2,346	(43)
Total	8,832	7,550	17
PBT			
Supermarkets	1,139	849	34
Office Automation	(581)	(842)	31
Total	558	7	7,871

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

Supermarkets

Given the change in the shopping patterns of customers and the volatility of market conditions, the ensuing discussion aims to provide an insight to the performance of the business across the quarters.

2022/23	Q1	Q2	Q3	Q4
Same store sales (%)	54.2	73.7	40.6	30.1
Revenue (Rs.million)	23,907	24,866	25,798	25,202
Revenue growth (%)	58	77	40	29
EBITDA (Rs.million)	1,861	1,671	1,987	1,986
EBITDA growth (%)	70	189	26	1
EBITDA margin (%)	7.8	6.7	7.7	7.9

- As outlined in the Operational Review, the Supermarket business recorded a strong performance with same store sales achieving double-digit growth driven by a combination of higher customer footfall and basket values due to high inflation and resultant price increases taken by suppliers.

The Supermarket business recorded a strong performance with same store sales achieving double-digit growth driven by a combination of higher customer footfall and basket values due to high inflation and resultant price increases taken by suppliers.

- The benefit from the increase in revenue was offset to an extent by the significant cost escalations in operations on account of utility and staff costs.
- The social security contribution levy (SSCL) ,which is a revenue based tax similar to the nation building tax in force a few years ago, which was imposed with effect from October 2022, had a further significant impact on the margins of the business.
- Despite the aforementioned cost increases, the Supermarket business sustained EBITDA margins throughout the year by optimising logistics, providing affordable alternatives, and implementing data-led efficiencies.
- The PBT of the Supermarket business was impacted by higher finance expenses due to the significant increase in interest rates. Working capital requirements recorded an increase, particularly in the first nine months of the year, to ensure continuity of supplies and minimise disruptions. This has now stabilised with the business reverting to normalised levels of working capital, despite the high interest rates that continue to prevail.

Office Automation

- The Office Automation business recorded a significant reduction in sales volume due to the continued import restrictions on non-essential items, which was further exacerbated by the steep increase in unit prices of all imported products as a result of the depreciation of the Rupee.
- The volumes of the Office Automation business witnessed a gradual recovery as the foreign currency liquidity position of the country stabilised and recorded a positive EBITDA during the year.
- Given the sharp depreciation of the Rupee, the business recorded a significant exchange loss on import settlements during the year under review, which impacted PBT.
- Finance expenses recorded an increase on account of the higher interest rates and working capital requirements.
- The PAT of the Office Automation business in 2022/23, was positively impacted on account of tax related adjustments, including a deferred tax reversal recognised during the year.

The recurring adjustments for 2022/23 entailed a reversal in long-term cash-based incentive provisions, as articulated in detail in the Financial Performance section of this Review.

The fair value gains/losses on investment property pertaining to the Supermarket business was recorded at Rs.3.1 million. Accordingly, the recurring EBITDA of the industry group, excluding the fair value gains and losses on investment property and the reversal of the long-term incentive provision amounted to Rs.8.78 billion [2021/22: Rs.7.55 billion].

Balance Sheet Indicators

Rs.million	2022/23	2021/22	%
Assets			
Supermarkets	46,566	40,615	15
Office Automation	3,364	11,861	(72)
Total	49,930	52,476	(5)
Debt*			
Supermarkets	17,346	15,130	15
Office Automation	3,164	212	1,392
Total	20,510	15,342	34

**Excludes lease liabilities.*

Supermarkets

- The growth in the asset base was primarily attributed to the expansion of the outlet network and the increase in the value of inventory, driven by inflation.
- The depreciation and amortisation expenses of the business also noted an increase on the back of the aforementioned increase in the asset base.
- The increase in debt of the Supermarket business was primarily on account of funding working capital requirements during the year.
- As at 31 March 2023, lease liabilities stood at Rs.10.32 billion, a marginal increase against the Rs.10.21 recorded in 2021/22. Total debt including leases stood at Rs.27.67 billion as at 31 March 2023 [2021/22: Rs.25.34 billion].

Office Automation

- The reduction in the asset base was primarily due to a decrease in inventory, trade and other receivables, as well as cash balances.
- The Office Automation business witnessed a significant increase in bank overdrafts during the year under review, as a result of the aforementioned constraints and pressures in meeting working capital requirements.

Leisure

Income Statement Indicators

Rs.million	2022/23	2021/22	%
Revenue*			
Cinnamon Life Colombo**	-	-	-
Colombo Hotels	8,294	4,052	105
Sri Lankan Resorts	6,043	2,871	110
Maldivian Resorts	22,605	10,398	117
Destination Management	2,853	1,610	77
Hotel Management	63	31	103
Total	39,858	18,962	110

** Including share of revenue of equity accounted investees.*
*** 800-room hotel under construction.*

- As discussed under the Leisure industry group operational review, the Sri Lankan Leisure businesses were impacted by the significant decline in tourist arrivals during the first half of 2022/23 due to economic, political and social instability in the country. However, with the gradual recovery in arrivals towards the second half of the year, the businesses recorded an increase in revenue, driven by improved average room rates (ARR) and occupancies. It should be noted that this is also off a lower base due to the Covid-19 pandemic in the comparative period.
- The revenue of the Colombo Hotels segment improved due to the strong performance in its restaurant and banqueting operations which reached pre-pandemic levels, coupled with a gradual recovery in business travel.
- The revenue per available room (RevPAR) for both Colombo Hotels and Sri Lankan Resorts performed well against competition, particularly in the second half of the year once domestic leisure travel resumed on easing of fuel shortages. Tourist arrivals in March recorded the highest number of arrivals since the peak of the economic crisis.
- The Maldivian Resorts segment reported occupancies exceeding pre-pandemic levels on average and improved ARRs. Revenue growth was also supported by the translation impact stemming from the steep depreciation of the Rupee.
- The revenue of the Destination Management sector increased due to the expansion into the luxury segment and improved performance in source markets.
- The Hotel Management segment recorded an increase in revenue from higher management and marketing fees, given the improved performance across the hotels, as outlined above.

Rs.million	2022/23	2021/22	%
EBITDA*			
Cinnamon Life Colombo	(523)	-	-
Colombo Hotels	580	60	867
Sri Lankan Resorts	73	(206)	135
Maldivian Resorts	7,356	3,617	103
Destination Management	(258)	30	(960)
Hotel Management	1,331	389	242
Total	8,559	3,890	120
PBT**			
Cinnamon Life Colombo	(507)	-	-
Colombo Hotels	(300)	(536)	44
Sri Lankan Resorts	(1,634)	(1,448)	(13)
Maldivian Resorts	1,017	233	336
Destination Management	(147)	186	(179)
Hotel Management	1,142	284	302
Total	(429)	(1,281)	67

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

*** Share of results of equity accounted investees are shown net of all taxes but includes impact of exchange gains and losses.*

FINANCIAL AND MANUFACTURED CAPITAL REVIEW

- The primary drivers for the recovery in EBITDA were the aforementioned factors impacting revenue .
- Despite adverse macroeconomic conditions, with the exception of 'Cinnamon Life Colombo' and the Destination Management sector, all other sectors/segments of the industry group recorded a positive EBITDA during the year under review.
- Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in the third quarter of 2024/25, the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group. Accordingly, the EBITDA of 'Cinnamon Life Colombo' includes marketing and promotional costs and staff salaries incurred in preparation for its launch. All project costs, other than costs which are expensed to the Income Statement, are capitalised under property, plant and equipment (PPE) as work-in-progress costs. This includes interest on the loan taken to fund the project during construction.
- The margins of the Sri Lankan Leisure businesses were under pressure given the rising input and utility costs as yields did not pick up commensurately since the benefit of foreign currency revenue was limited due to the gradual recovery of tourism.
- The negative PBT recorded is primarily attributable to the rise in interest costs across the Sri Lankan Leisure properties on account of working capital loans obtained during the pandemic and thereafter, during the first half of the year due to adverse macroeconomic conditions including the impact of increased interest rates on such working capital.
- The Maldivian Resorts segment experienced an increase in the lease amortisation charge for the year, given the USD denomination of the cost, particularly during the first half of the year when the Rupee sharply depreciated.
- Further, the Maldivian Resorts segment experienced an increase in operating costs, driven by higher fuel and staff costs, as well as an increase in interest costs due to the rise in USD interest rates. Despite these challenges, the Maldivian Resorts recorded a positive PBT.
- Various cost-saving mechanisms were implemented focusing on working capital management of all segments within the industry group.
- As detailed in the Financial Performance section of this Review, Whittall Boustead Travel Limited recognised an impairment provision amounting to Rs.422 million on its investment in preference share of Saffron Aviation (Private) Limited (SAL) during the year under review.

Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in the third quarter of 2024/25, the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group.

The recurring adjustments for 2022/23 entailed the aforementioned impairment provision, reversal in the long-term cash-based incentive provisions and fair value gains/losses on investment property, as stated in detail in the Financial Performance section of this Review. Accordingly, the recurring EBITDA of the industry group amounted to Rs.8.60 billion, a 127% increase against the previous year [2021/22: Rs.3.78 billion].

The PAT of the industry group was also supported by the deferred tax reversal of Rs.309 million as discussed in detail in the Financial Performance section of this Review.

Balance Sheet Indicators

Rs.million	2022/23	2021/22	%
Assets			
Cinnamon Life Colombo	235,452	-	-
Colombo Hotels	39,269	36,046	9
Sri Lankan Resorts	23,236	20,280	15
Maldivian Resorts	61,916	61,355	1
Destination Management	1,807	2,014	(10)
Hotel Management	2,401	1,873	28
Total	364,081	121,568	199

- Given the transition of the assets of the hotel, 'Cinnamon Life Colombo', and the retail and entertainment components of 'Cinnamon Life Integrated Resort', under the Leisure industry group, assets recorded a notable increase. This is captured under property, plant and equipment (PPE) as work-in-progress costs.
- The industry group continued to curtail its non-essential capital expenditure, to the extent possible, due to the volatile macroeconomic environment.

Rs.million	2022/23	2021/22	%
Debt*			
Cinnamon Life Colombo	74,423	-	-
Colombo Hotels	2,051	1,638	25
Sri Lankan Resorts	7,178	6,201	16
Maldivian Resorts	17,260	19,257	(10)
Destination Management	262	395	(34)
Hotel Management	1,265	1,144	11
Total	102,439	28,635	258

**Excludes lease liabilities.*

- As part of the transition of the components of the 'Cinnamon Life Integrated Resort' project, the syndicate term loan of USD 225 million was recorded under the Leisure industry group, commencing from the third quarter of 2022/23. As a result, there was a substantial increase in the amount of debt attributable to the Leisure industry group.
- Given the challenging external environment, the Sri Lankan Leisure businesses obtained overdraft facilities to sustain working capital requirements.

- The Sri Lankan Leisure businesses also recommenced repayments on the Saubhagya Covid-19 renaissance loan, which had previously been granted a moratorium extension.
- The Destination Management sector recorded a decline in debt due to the repayment of the moratorium loan facility.

Lease liabilities as at 31 March 2023 stood at Rs.22.81 billion [2021/22: Rs.22.61 billion], with ~98% stemming from the Maldivian Resorts segment. Total debt including leases stood at Rs.125.25 billion as at 31 March 2023 [2021/22: Rs.51.24 billion]. Total debt excluding the aforementioned debt at 'Cinnamon Life Colombo' amounted to Rs.50.82 billion, a marginal reduction from the previous year.

Property

Income Statement Indicators

Rs.million	2022/23	2021/22	%
Revenue*			
Property Development	3,926	41,102	(90)
Property Management	651	375	74
Total	4,577	41,477	(89)

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

Property Development

- The notable decline is attributable to the 'Cinnamon Life Integrated Resort', where the comparative year of 2021/22 included the revenue recognition of all units sold prior to the completion of the residential towers and commercial units. In contrast, there was no corresponding revenue recognised in 2022/23 in the absence of any sales during the year.
- The revenue of the Property Development sector includes rental income from ten floors of 'The Offices at Cinnamon Life' which were leased out during 2021/22.
- Whilst the construction of 'TRI-ZEN' progressed well during the year, the subdued sales momentum in 2022/23 impacted the quantum of revenue recognised compared to the previous year.
- Revenue from the operation of the 18-hole champion golf course at Rajawella Holdings Limited (RHL) recorded an improvement due to a resumption in activities, particularly in the second half of the year under review, post easing of the shortage in fuel supplies.

Property Management

- Although the first half of the year proved challenging for malls on account of reduced footfall, the seasonal demand resulted in a recovery during the second half of the year.
- The 'Crescat Boulevard' recorded a full year of operations during the year under review, contributing to the revenue increase in the sector.

Rs.million	2022/23	2021/22	%
EBITDA*			
Property Development	(440)	2,723	(116)
Property Management	225	241	(7)
Total	(215)	2,964	(107)
PBT**			
Property Development	(2,294)	(1,030)	(123)
Property Management	159	183	(13)
Total	(2,135)	(847)	(152)

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

***Share of results of equity accounted investees are shown net of all taxes but includes the impact of exchange gains and losses.*

- The decrease in EBITDA of the Property Development sector primarily stemmed from the 'TRI-ZEN' and 'Cinnamon Life Integrated Resort' projects.
- The EBITDA decline of the 'Cinnamon Life Integrated Resort' was in tandem with the absence of any revenue from sales during the year under review.
- The previous year included a substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at 'Cinnamon Life Integrated Resort', compared to the absence of corresponding recognition in the current year.
- In discussion with the contractor at 'TRI-ZEN', the project construction costs were revisited given the escalation in costs on account of the steep depreciation of the Rupee, global commodity and freight cost increases, particularly to realign work to meet timely completion. As the cost escalation impact is allocated to the profit recognition on the project, there was an adjustment in the current year to reflect the cost impact on the sales already recognised in the previous financial years, which affected the current year profitability somewhat materially. Since this adjustment has been fully absorbed in the current financial year, going forward, the revenue recognition of 'TRI-ZEN' will result in positive profit recognition over the ensuing quarters up to and including project completion.
- It is encouraging to note that all other businesses within the Property Development sector recorded a positive EBITDA during the year.
- Discussions on EBITDA for the Property industry group are inclusive of fair value gains/losses on investment property (IP). The Group is of the view that fair value gains/losses on IP are integral to the industry group's core operations, given its land banking strategy and the intention of monetising such land through development and sales.
- The fair value gains/ losses on IP for the industry group amounted to a gain of Rs.525 million in 2022/23 in comparison to the loss of Rs.4.29 billion recorded in 2021/22. The previous year includes an IP loss of Rs.4.90 billion at Waterfront Properties (Private) Limited (WPL) as detailed in the Financial Performance section of this Review. Excluding the WPL impairment loss, the industry group recorded a gain of Rs.614 million in 2021/22.

FINANCIAL AND MANUFACTURED CAPITAL REVIEW

- The recurring adjustments for 2022/23 are detailed in the Financial Performance section of this Review. Accordingly, the recurring EBITDA of the industry group amounted to a loss of Rs.265 million, declining significantly from the recurring EBITDA of Rs.7.87 billion recorded in 2021/22.
- The PBT of the industry group was impacted on account of the exchange losses on sales collections at 'Cinnamon Life Integrated Resort', for which the corresponding revenue was recognised in the previous financial year. As collections have now been completed, there are no further exchange impacts expected on the residual units.
- The decrease in PBT within the Property Management sector is primarily attributable to increased expenses associated with the management of the Group's real estate assets.
- The PAT of the industry group was also impacted by the deferred tax provision of Rs.138 million, on account of the significant change in income tax rates.

Balance Sheet Indicators

Rs.million	2022/23	2021/22	%
Assets			
Property Development	82,578	265,204	(69)
Property Management	11,743	11,550	2
Total	94,321	276,754	(66)

- Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in end 2024, the assets and liabilities of the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group from the Property industry group. The property development components of the project, namely, the two residential apartment towers and the commercial tower continue to be recorded under the Property industry group. Accordingly, the Property Development sector recorded a decline in assets.
- The cost of construction of the commercial tower at the 'Cinnamon Life Integrated Resort' is recognised under investment property as at 31 March 2023.
- In June 2022, WPL repaid the USD 100 million six-month bridging loan facility which was obtained in December 2021 as a part of the refinancing package of the USD 395 million syndicate term loan facility. The USD 100 million facility was obtained to align the refinancing with the original maturity date of July 2022. The loan facility now outstanding at WPL is the USD 225 million syndicate term loan, maturing in December 2026. It is to be noted that the syndicate term loan of USD 225 million at WPL was classified under the Leisure industry group, commencing from the third quarter of 2022/23. As a result, there was a substantial reduction in the debt levels within the industry group.
- Excluding the debt at WPL in both comparative periods, the other businesses in the Property industry group recorded a 17% reduction in debt from the previous year which stemmed from RHL and its mall operation in Ja-Ela.

Financial Services

As the key businesses within the industry group comprise of the Banking and Insurance sectors, the ensuing discussion will predominantly focus on PBT and PAT, in order to capture the net earnings of the businesses as reflected in the financial statements of the Group.

Rs.million	2022/23	2021/22	%
PBT*			
Insurance	4,020	2,645	52
Banking	2,710	2,148	26
Stock Broking	21	202	(90)
Total	6,751	4,995	35
PAT*			
Insurance	2,948	2,014	46
Banking	2,710	2,148	26
Stock Broking	15	152	(90)
Total	5,673	4,314	32

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

Insurance

- The business witnessed a steady performance in its gross written premiums (GWP), recording a growth of 6% during the year under review [2021/22: 17%]. The growth in GWP was primarily driven by a 12% increase in renewal premiums and a 3% increase in new business premiums and 57% growth in group life premiums.
- Claims and benefits increased by 24% to Rs.6.04 billion [2021/22: Rs.4.87 billion] on account of expansion of the insurance policy portfolio, increase in surrender payouts due to macroeconomic challenges and maturity payouts in accordance with the contractual obligations.
- Underwriting and net acquisition costs increased by 6% to Rs.3.13 billion in line with growth in regular new business premiums and renewal premiums.
- Net finance income in 2022/23 stood at Rs.8.47 billion, a 57% growth against the previous year, stemming from a focused asset allocation strategy and high interest rate environment which prevailed during the year.

The Insurance business witnessed a steady performance in its gross written premiums (GWP), recording a growth of 6% during the year under review [2021/22: 17%].

The growth in GWP was primarily driven by a 12% increase in renewal premiums and a 3% increase in new business premiums and 57% growth in group life premiums.

- Life insurance contract liabilities including unit linked funds increased by 15% to Rs.58.91 billion in line with growth of the business.
- Despite the inflationary pressures, UA's expense ratio was curtailed at 25% in 2022/23 [2021/22: 23%] given prudent expense management, cost containment and optimisation initiatives implemented by the business.
- UA's annual life insurance surplus increased by 44% to Rs.2.30 billion [2021/22: Rs.1.60 billion] contributed by an increase in GWP, increase in net investment income and optimisation of expenses.

Banking

- NTB recorded a 116% growth in net interest income (NII), given its timely re-pricing of assets and effective management of its cost of funds. In tandem, net interest margins (NIMs) widened to 7.9% in 2022/23 compared with 4.1% in the previous year.
- The Stage 3 loan ratio remained low at 3.4% [2022/21: 2.0%] given the Bank's focus on preserving portfolio quality, particularly through data analytics. The Bank also adopted a prudent approach to provisioning, with the aim of managing potential downside risks given the adverse macroeconomic conditions.
- Focused cost management strategies on the back of improved NIMs enabled the business to improve its cost-to-income (CI) ratio to 29.0% during the year under review [2021/22: 36.5%] despite a 35% increase in operating expenses on the back of inflationary pressures.
- The impairment charges for the year increased by 152% to Rs.13.63 billion on account of the negative economic conditions coupled with the cessation of moratoriums on loans offered during the Covid-19 pandemic. The downgrade of Sri Lanka's sovereign rating also necessitated an increase in the impairment of investment in ISBs and SLDBs although the Bank's exposure is relatively low in comparison with the industry.

Stock Broking

- The stock market displayed subdued performance on the back of the challenging socio-economic and socio-political environment, with the average daily market turnover declining by 56% as compared to the previous year. This resulted in the business recording a contraction in revenue.
- During the year under review, the increase in staff costs and IT related expenses impacted the profitability of the business. However, the business continued to focus on improving revenue from the retail segment. Emphasis was also placed on the roll-out of various initiatives aimed at managing operational costs, which resulted in productivity and cost efficiencies.

The recurring PBT of the industry group, post adjusting for the deferred tax provisions of equity accounted investees and one-off impacts from performance related initiatives stood at Rs.6.40 billion [2021/22: Rs.4.99 billion].

Other, including Information Technology and Plantation Services

Information Technology

Rs.million	2022/23	2021/22	%
Income Statement Indicators			
Revenue	2,273	1,456	56
EBITDA*	769	451	71
PBT	731	518	41
Balance Sheet Indicators			
Debt	158	62	155

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

- The Information Technology sector recorded a strong growth in revenue on account of onboarding new clients and expanding the scope of services.
- The growth in EBITDA in the Information Technology sector was driven by the translation impact on foreign currency linked revenue at both Infomate and JKIT, given the higher average exchange rate during the year in comparison to 2021/22.
- On a recurring basis, the PBT of the Information Technology sector stood at Rs.697 million in comparison to Rs.412 million in 2021/22.
- The increase in debt in the Information Technology sector is attributable to an increase in bank overdrafts to manage working capital requirements.

Plantation Services

Rs.million	2022/23	2021/22	%
Income Statement Indicators			
Revenue	4,509	2,496	81
EBITDA*	1,036	285	264
PBT	914	170	438
Balance Sheet Indicators			
Debt	85	311	(73)

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

- The Plantation Services sector recorded a growth in revenue driven by improved tea prices. Volumes were impacted by the lower production levels in the industry as a result of the lagged effect of the fertiliser shortage in the country during 2021/22.
- EBITDA in the Plantation Services sector was supported by an increase in interest income driven by higher interest rates.
- On a recurring basis, the PBT of the Plantation Services sector stood at Rs.822 million in comparison to Rs.122 million in 2021/22.
- The Plantation Services sector noted a decrease in debt on account of settling bank overdrafts which were obtained in the previous year to manage working capital requirements.

Other

Rs.million	2022/23	2021/22	%
Income Statement Indicators			
Revenue	93	90	3
EBITDA*	4,847	4,754	2
PBT	5,465	20,402	(73)
Balance Sheet Indicators			
Debt	90,109	72,136	25
Net Debt**	23,295	(40,095)	(158)

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

***Net debt is arrived by subtracting the Holding Company's total cash and cash equivalents, including its short-term investments from its total debt.*

- The marginal growth in revenue of the Holding Company is primarily on account of higher commercial fees from associates of the Group.
- EBITDA of the Holding Company were supported by an increase in interest income driven by higher interest rates and the translation impact on foreign currency interest income.
- The PBT of the Holding Company was impacted by an increase in finance expenses as a result of the increase in interest rates, the translation impact of the IFC loan interest payment and the notional non-cash interest charged on the convertible debentures issued to HWIC Asia Fund (HWIC) in August 2022, in line with the accounting treatment, due to significant difference between the market interest rates and the 3% interest accrued on the instrument.
- The Holding Company recorded a decline in its net debt position due to the reduction in its cash balance in line with the planned equity infusions for the Group's investment pipeline, particularly for the equity infusions to 'Cinnamon Life Integrated Resort' and WCT-1, and an increase in debt on account of the issue of convertible debentures to HWIC. The liability of the debentures is recognised under non-current financial liabilities.

*Refer **page 62** for further details.*

The industry group recorded fair value gains on investment property (IP) of Rs.131 million which stemmed from the Plantation Services sector and investments at the Holding Company [2021/22: Rs.81 million].

The recurring adjustments for 2022/23 entailed one-off impacts as articulated in detail in the Financial Performance section of this Review. Similarly, the comparative year also entailed various one-off impacts, which have been adjusted in order to ensure a like-with-like comparison.

The recurring PBT of the industry group stood at a loss of Rs.2.01 billion, a 191% decrease against the previous year [2021/22: Rs.2.21 billion].

The PBT of the Holding Company was impacted by an increase in finance expenses as a result of the increase in interest rates, the translation impact of the IFC loan interest payment and the notional non-cash interest charged on the convertible debentures issued to HWIC, in line with the accounting treatment, due to significant difference between the market interest rates and the 3% interest accrued on the instrument.

NATURAL CAPITAL REVIEW

Carbon footprint	Energy used	Water withdrawn	Waste generated
103,597MT	909,583GJ	1.9million m^3	8,322MT
FY22 98,685 MT	FY22 819,651 GJ	FY22 1.8 million m^3	FY22 8,193 MT

The Group has a comprehensive environmental management system which ensures sustainable principles are embedded in business operations and are conducted in a sustainable manner. These include energy conservation, carbon footprint reduction, optimisation of water usage, efficient waste management and conservation of biodiversity. The Group has identified material areas to minimise any negative impacts and externalities, and constantly strives to implement initiatives to conserve natural resources and create value for all stakeholders.

The Group constantly strives to implement initiatives to conserve natural resources and create value for all stakeholders.

Key Highlights on Focus Areas under Natural Capital

Key Highlights of the Year:

- The Group commenced development of an Environmental, Social, and Governance (ESG) framework, as a part of its ongoing efforts towards increasing its focus on ESG aspects. The framework would set and express clear ESG ambitions at a sector and Group level which would translate to defined goals and targets.
- 13% of the Group's total energy requirement was met through renewable energy sources.
- The Group entered into an agreement to promote responsible disposal of e-waste with a licensed third-party collector and conducted an e-waste collection drive at office premises and at homes of employees.
- Under the 'Plasticcycle' initiative, ~24.8 MT of recyclable plastic waste (equivalent of ~745,000 polyethylene terephthalate (PET) bottles were collected during the year.
- Under the 'Cinnamon Rainforest Restoration' project, the planting of ~15,000 seedlings representing 65 diverse species of wet zone indigenous trees was completed during the year in order to improve biodiversity.

Industry Group-Wise Highlights of Environmental Initiatives:

Consumer Foods

- Invested in four material recovery facilities to upcycle plastic waste collected through collection networks.
- A memorandum of understanding (MOU) was signed between Keells Food Products PLC (KFP) and the Island Climate Initiative to replace nylon-based packaging with suitable solutions.

Retail

- Toner cartridge recycling programmes were initiated at 'Keells' outlets.
- Renewable energy investments at further 14 'Keells' outlets.

Leisure

- Initiatives were undertaken during the year to reduce the consumption of guest facing single-use plastic by introducing a range of alternative items, such as ceramic pump bottles, paper straws, wooden stirrers and cloth laundry bags.

Property

- Optimised energy usage through the building management system (BMS) in place at selected locations.

Financial Services

- Rationalisation and relocation of branch network and its operations into more energy efficient buildings.

Other, including Information Technology and Plantation Services

- Planting of 800 'mahogany' and 'halmilla' trees at selected tea factories during the year.

SDG's Impacted through Initiatives

7. Affordable and Clean Energy

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

12. Responsible Consumption and Production

Energy conservation through adopting efficient practices and alternatives.

Optimising water usage by implementing efficiency improvements and awareness creation.

Encouraging reuse and recycling of waste alongside responsible waste disposal.

13. Climate Action

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

14. Life Below Water

Conservation of biodiversity and preservation of marine habitats.

15. Life on Land

Conservation of biodiversity and sustainable use of natural resources.

Note: The above initiatives disclosed are based on materiality. The Transportation industry group continued its environmental initiatives during the year.

NATURAL CAPITAL REVIEW

Approach

The Group places prominence on identifying, measuring and managing its environmental focus areas through policies and processes which enable the Group to function responsibly, whilst minimising its environmental footprint and leveraging on opportunities to create a positive impact.

Policies	Environmental Policy	Energy Management Policy	Water Management Policy	Hazardous Waste Management Policy	Waste Management Policy	Biodiversity Conservation Policy

Processes	Strategy	Monitoring	Reporting	Initiatives to Improve Performance	Awareness Creation	Benchmarking	Goals and Targets

The environmental focus areas of the Group are derived through a materiality determination process, following which goals and targets are established under focus areas, to guide responsible business operations. The Group has reported on environmental indicators that are of significant importance to its operations below.

Focus Areas

ESG Strategy

As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group, in liaison with an international third-party consulting firm, embarked on re-formulating the Group's ESG framework, setting revised Group-wide ESG ambitions and translating such ambitions to ESG related targets. This exercise is expected to ensure enhanced alignment between the different ESG strategies of the Group's business units, culminating in a holistic ESG strategy and roadmap for the Group.

ENERGY MANAGEMENT

Sri Lanka faced numerous challenges during the year, on account of the volatility in the power and energy industry, both locally and globally, to which the Group was no exception. Given the high dependency on fuel and energy, many of the businesses faced challenges in sourcing fuel for daily operations amidst nationwide power shortages. Initiatives towards energy management, energy conservation as well as diverting towards alternative and renewable energy sources were key focus areas prioritised by the Group along with continuous investments in energy management.

During the year, the Group continued to drive investments in renewable energy and focus on energy conservation through the implementation of initiatives, awareness creation and benchmarking with the aim of reducing its energy consumption and resultant emissions.

Energy reduction goals and renewable energy goals were established in energy intensive businesses, which enabled the Group to manage its environmental impacts. Opportunities to deploy further investments in renewable energy continues to be a focus area of the Group.

Renewable Energy

The Group continued to drive investments in renewable energy in order to reduce its dependence on fossil fuel and reliance on the national grid. Renewable energy forms such as solar power and biomass are currently used in businesses with energy intensive operations.

Key initiatives during the year:

- Supermarket business - 14 'Keells' outlets installed solar panels during the year, increasing the total number of outlets using renewable energy to 94 outlets. The renewable energy generated constituted 20% of its total energy requirement.
- Consumer Foods industry group - renewable energy was generated in the form of solar power and biomass for factory operations.
- Leisure industry group - five 'Cinnamon Hotels & Resorts' generated renewable energy in the form of solar power. Walkers Tours Limited invested in a renewable energy project to offset its carbon footprint and continued to maintain a carbon neutral certified fleet.
- Plantation Services sector - Tea Smallholder Factories PLC generated renewable energy through the use of biomass and John Keells Warehousing continued to utilise solar power.

124,228 GJ
of renewable energy generated

13%
of energy generated through renewable energy sources

2024/25 Renewable Energy Goal and Progress

Goal: To reduce the energy consumption in the Consumer Foods, Leisure and Transportation industry groups to achieve the target established for 2024/25.

Progress during the year:

Renewable Energy

- Retail Industry Group

Solar photovoltaic (PV) energy generation across the supermarket business against the 2018/19 baseline:

Goal	Status	Progress
125% by 2024/25		63%

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

Energy Efficiency

The Group reported a 3% increase in energy consumption due to increased levels of operational activity in the Retail and Leisure industry groups.

Key initiatives to conserve energy and use energy efficient alternatives during the year:

- Consumer Foods industry group – installation of capacitor banks at factories.
- Supermarket business – installation of timer switches on door heaters of freezers to conserve energy at 'Keells' outlets.
- Leisure industry group – the following were carried out at 'Cinnamon Hotels & Resorts':
  - Light-emitting diode (LED) lights, photo sensors and time-based garden lights.
  - Optimised chiller and air handling unit (AHU) operations.
  - Installation of variable speed drives for chilled water pumps and reverse osmosis plants.
  - Investments were deployed in energy efficient equipment.
- Property industry group – optimised operating hours across the building management system (BMS) alongside heating, ventilation, and air conditioning.

1,156 GJ
of energy saved through initiatives

32%
reduction in energy intensity per Rs.milllion of revenue

2024/25 Energy Reduction Goals and Progress

Goal: To reduce the energy consumption in Consumer Foods, Leisure and Transportation industry groups to achieve the pre-determined target by 2024/25.

Progress during the year:

- Consumer Foods Industry Group

Goal	Status	Progress
CCS : -1.5%		-3%
KFP : -1.5%		9%
CICL : -2%		8%

All goals are either on a per l/m³ or per kg basis

Steam

- Consumer Foods Industry Group

Goal	Status	Progress
CCS : -1.5%		-4%

Goals is on a per litre basis

- Transportation Industry Group

Reduction in energy consumption at JKLL Seeduwa and Enderamulla Warehouses:

Goal	Status	Progress
10% by 2024/25		-3%

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

- Leisure Industry Group

Goal	Status	Progress
-4%		1%

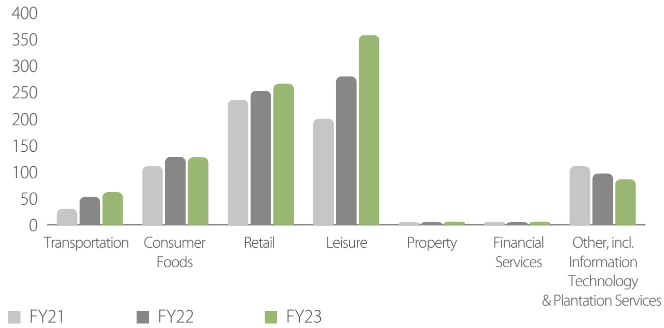
Note: In arriving at the status for the year for the indicators, the absolute variation against the base year has been calibrated to reflect the level of activity in the baseline year, for a like comparison. The status disclosed above is reported independently by each year against the goal of the baseline year.

Group and industry group-wise performance comparison:

Group Performance	2022/23	2021/22*	2020/21
Energy consumption: non-renewable sources (GJ)	386,837	301,172	216,253
Energy consumption: renewable sources (GJ)	124,228	127,825	132,706
Purchased energy: national grid (GJ)	398,518	390,654	349,195
Total energy consumption (GJ)	909,583	819,651	698,154
Total energy consumption (GJ) per Rs.million of revenue	3.53	4.49	2.75

** 2021/22 has been restated*

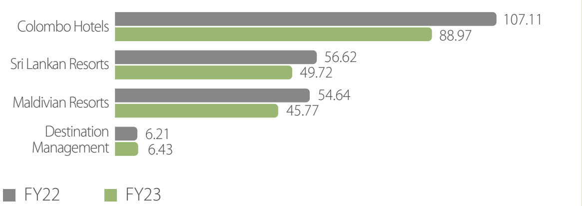
Energy Consumption by Industry Group
(GJ '000)



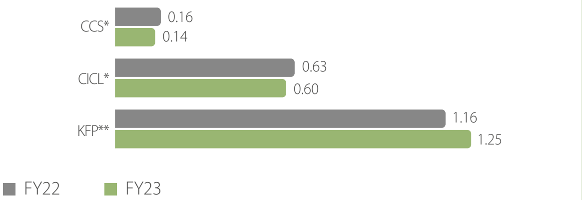
Energy consumption based on respective operating factors of key industry groups:

Energy consumption per operational intensity factor in applicable* industry groups

Leisure
(kWh per guest night)

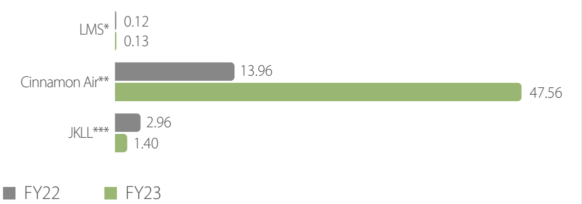


Consumer Foods
(*kWh per liter produced / **kWh per kg produced)



Retail
(kWh per sq. ft. of outlet area)

Transportation
(*kWh per flying hour / **kWh per MT sold / ***kWh per sq. ft. of warehouse managed)



Based on materiality. Energy consumption within the Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.

CARBON FOOTPRINT

The main contributor to the Group's carbon footprint was electricity from the national grid, followed by diesel, furnace oil, liquefied petroleum gas (LPG), petrol and jet fuel. The increase in carbon footprint was due to increased energy consumption driven by higher levels of operational activity in the Leisure and Retail industry groups.

8% increase in carbon footprint

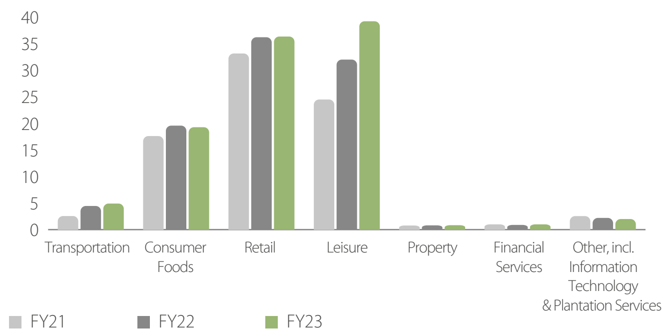
29% reduction in emission intensity per Rs.milllion of revenue

Group and industry group-wise performance comparison:

Group Performance	2022/23	2021/22*	2020/21
Direct greenhouse gas emissions - Scope 1 (MT)	28,144	27,507	15,894
Indirect greenhouse gas emissions – Scope 2 (MT)	75,453	71,188	66,114
Total carbon footprint (MT)	103,597	98,695	82,009
Total carbon footprint (MT) per Rs.million of revenue	0.38	0.53	0.64
Greenhouse gas emissions from combustion of biomass (MT)	8,050	9,172	10,535

**2021/22 has been restated*

Carbon Footprint by Industry Group
(CO_2 MT '000)



2024/25 Carbon Footprint Goal and Progress

Goal: To reduce the carbon footprint of KFP by reducing the scope 1 and 2 carbon emissions and to achieve the pre-determined target by 2024/25.

Progress during the year:

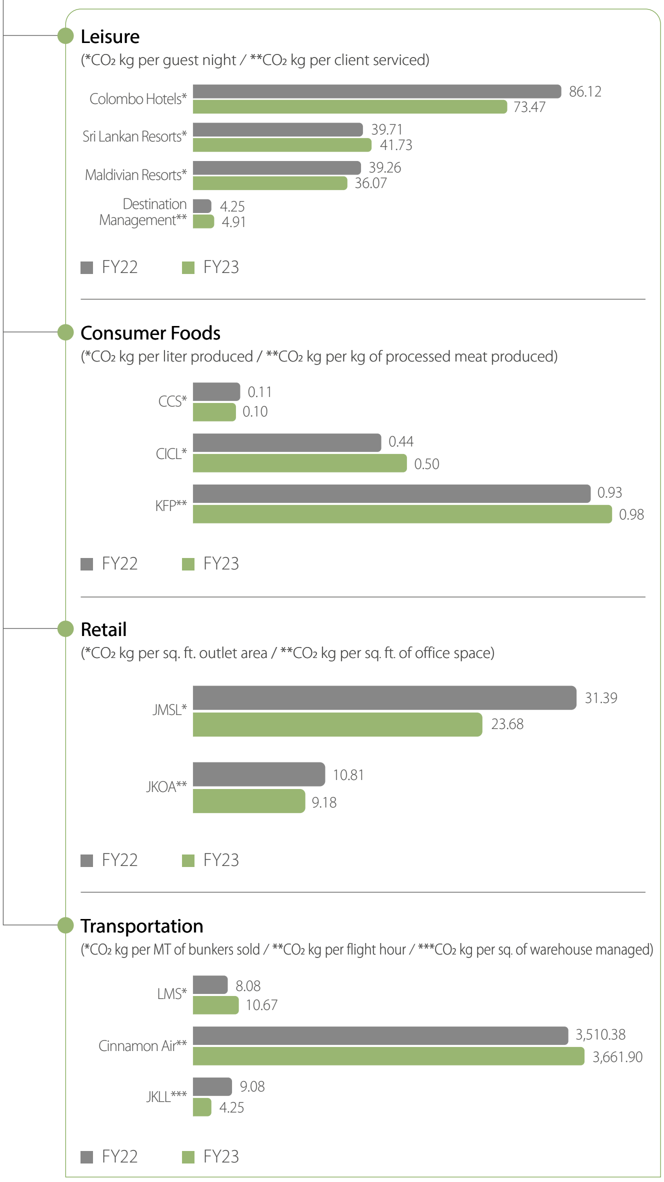
- Consumer Foods Industry Group

Goal	Status	Progress
KFP : -1%	●	1%

Note: In arriving at the status for the year for the indicators, the absolute variation against the base year has been calibrated to reflect the level of activity in the baseline year, for a like comparison. The status disclosed above is reported independently by each year against the goal of the baseline year.

Carbon footprint based on respective operating factors of key industry groups:

Carbon footprint scope 1 and 2 per operational intensity factor in applicable* industry groups



Carbon footprint based on respective operating factors of key industry groups:

**Based on materiality. Carbon footprint within the Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.*

Carbon footprint reduction through use of renewable energy.

WATER AND EFFLUENTS MANAGEMENT

The Group makes a conscious effort to responsibly conserve and optimise water usage through initiatives in place and working towards established goals. Further, the Group reuses water, where feasible, and treats effluents prior to discharge.

Water Efficiency

The Group reported a 5% increase in water withdrawn due to higher levels of operational activity in the Leisure industry group.

Key initiatives to improve efficiency of water usage during the year:

- 'Cinnamon Hotels & Resorts':
  - Installation of motion sensors, duel flush cisterns and pressure type cisterns in guest rooms and staff quarters.
  - Low flow rate faucets and shower heads were installed in guest rooms, staff quarters and public areas.
  - Rainwater harvesting were conducted at selected hotel properties.
  - Training programmes were conducted on reducing water consumption at hotel properties.
- Daily monitoring of water readings and process efficiencies at businesses were continued during the year.

Effluent Treatment and Discharge

The Group complied with required regulatory requirements as per relevant environmental protection licenses (EPL) during the year, when discharging water to the environment.

Key initiatives during the year:

- Continued the onsite treatment of wastewater through aerated system sewage treatment plants, reverse osmosis plants and effluent treatment plants at operational sites and thereafter the treated water was used for gardening purposes at hotel properties.
- Recycled water was used in washrooms, vehicle washing, water closet flushing and cooling towers.

68,210 m^3 of water conserved through initiatives

31% in water intensity per Rs.milllion of revenue

24% water recycled

Effluent Treatment Plant at Ceylon Cold Stores.

NATURAL CAPITAL REVIEW

2024/25 Water Reduction Goals and Progress

Goal: To reduce water consumption in the Consumer Foods and Leisure industry groups to achieve the targets established for 2024/25.

Progress during the year:

- Consumer Foods Industry Group

Goal	Status	Progress
CCS : -1.3%	●	-8%
KFP : -1.5%	●	31%
CICL : -2%	●	-4%

All goals are either on a per l/m³ or per kg basis

- Leisure Industry Group

Goal	Status	Progress
-1%	●	16%

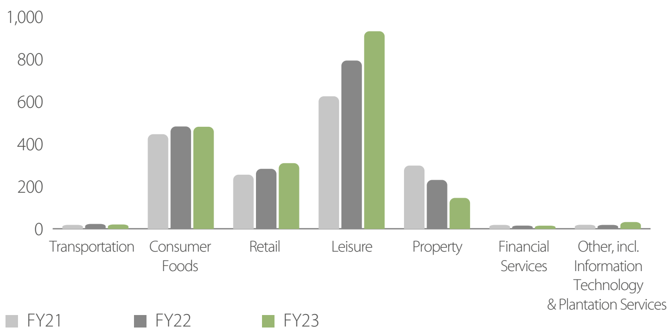
Note: In arriving at the status for the year for the indicators, the absolute variation against the base year has been calibrated to reflect the level of activity in the baseline year, for a like comparison. The status disclosed above is reported independently by each year against the goal of the baseline year.

Group and industry group-wise performance comparison:

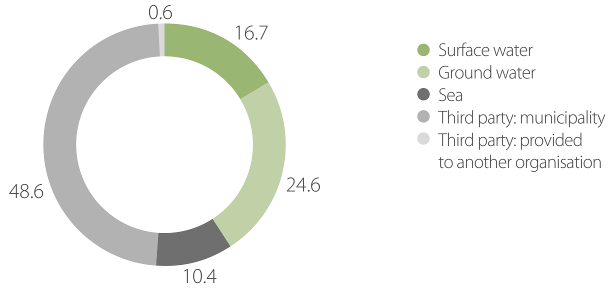
Group Performance	2022/23	2021/22*	2020/21
Water withdrawal (m^3)	1,931,418	1,843,259	1,677,672
Water withdrawal (m^3) per Rs.million of revenue	7.01	10.10	13.15
Water discharge (m^3)	1,200,051	1,305,676	1,091,384

**2021/22 has been restated*

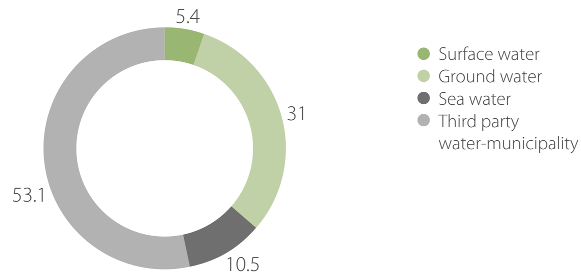
Water Withdrawn by Industry Group
(m^3 '000)



Water Discharge by Method
(%)

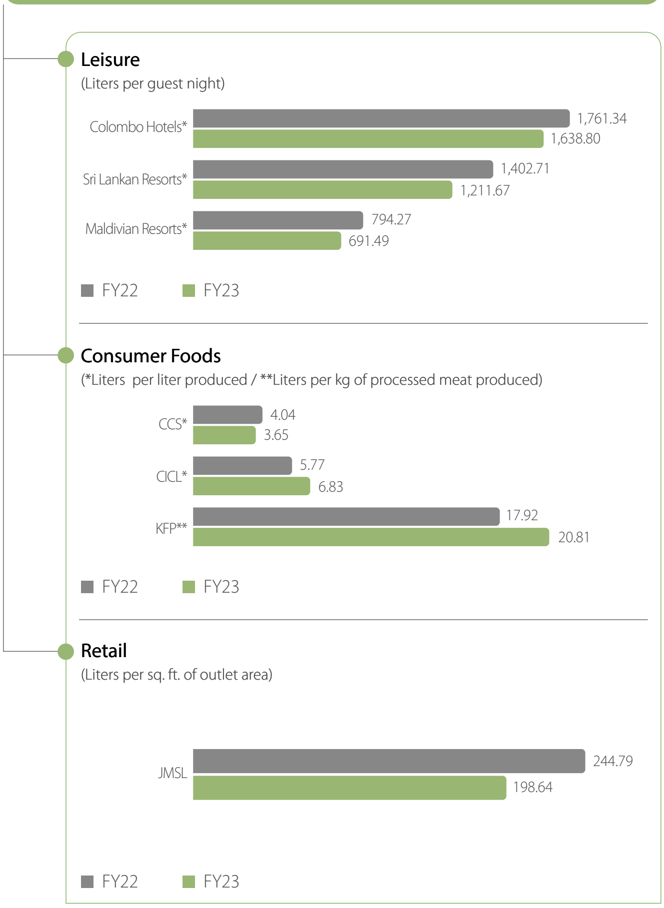


Water Withdrawal by Source
(%)



Water consumption based on respective operating factors of key industry groups:

Water withdrawal per operational intensity factor in applicable* industry groups



**Based on materiality. Water consumption within the Transportation, Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.*

Reverse Osmosis Plant at 'Cinnamon Wild Yala.'

WASTE MANAGEMENT

The Group's waste management approach follows best practice and guidelines to responsibly manage waste generated. All businesses engage in segregation of waste and explore options to divert waste from landfills to alternate methods of disposal, where possible. Businesses constantly evaluate processes to reduce or eliminate waste generated by consumers and continues to roll-out several initiatives to reclaim and channel waste for responsible disposal.

Whilst the Group engaged in a range of initiatives to reduce waste volumes, significant emphasis was also placed on substitutes in order to reduce the use of plastic.

Key initiatives during the year:

Reuse

- Supermarket business –
  - Launched a food waste reduction initiative by redistributing excess fresh produce and prepared meals to deserving communities, resulting in over 100,000 kg distributed monthly.
  - Reuse of food waste at collection centres in the form of fertiliser to farmers.
- Destination Management sector - reusable water bottles were provided to customers as a pilot project in select markets and will be rolled out in other areas as well.

Reduce

- Leisure industry group
  - Elimination of styrofoam products at 'Cinnamon Hotels & Resorts'.
  - Initiatives to reduce plastic consumption such as the use of ceramic pump bottles as a substitute of plastic shower bottles, wooden key cards as a replacement of plastic key cards and plastic cutlery substituted with wooden cutlery.
- Consumer Foods industry group - collected plastic from distributors thereby promoting responsible disposal. Elimination of certain types of secondary packing to reduce polyethene usage and reduction of plastic usage in manufacturing.
- Financial Services industry group – adoption of a paperless concept.
- Supermarket business - continued to encourage the use of reusable bags and containers by offering discounts and providing compostable bags at 'Keells' outlets.

Recycle

- Maldivian Resorts segment - developed an artificial reef using reef cubes which are made from crushed waste glass and other construction materials.
- Consumer Foods industry group - development of material recovery facilities to increase the volume of plastic recycled in the country.
- Property industry group - continued recycling of paper waste and e-waste through Group contracted collectors.

Compost

- Leisure industry group - food waste was diverted to onsite composting machines which aided the generation of biogas at selected hotel properties.

33%
reduction in waste intensity per Rs.milllion of revenue

46%
waste reused/recycled

2024/25 Waste Reduction and Plastic Reduction Goals and Progress

Goal: To reduce waste including plastic waste generated in the Consumer Foods and Leisure industry groups to achieve the targets established for 2024/25.

Progress during the year:

- Retail Industry Group

Usage of single-use polythene bags at 'Keells' outlets by 2024/25:

Goal	Status	Progress
50% by 2024/25	●	-25%

Usage of single-use packaging for fresh food by ensuring they are reusable, recyclable, or compostable by 2024/25.

Goal	Status	Progress
50% by 2024/25	●	-25%

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

- Consumer Foods Industry Group

Goal	Status	Progress
CCS :-1.5%	●	-9%

Goals is on a per l/m³ basis.

- Leisure Industry Group

Goal	Status	Progress
-50% single use plastic	●	-38%

Note: In arriving at the status for the year for the indicators, the absolute variation against the base year has been calibrated to reflect the level of activity in the baseline year, for a like comparison. The status disclosed above is reported independently by each year against the goal of the baseline year.

- Property Industry Group

RHL aims to reduce waste to landfill by 80%, against the 2018/19 baseline:

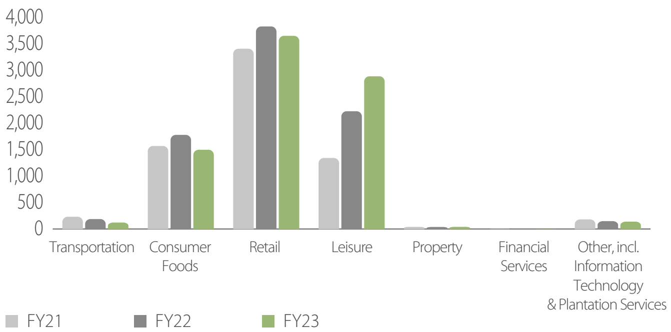
Goal	Status	Progress
80% by 2024/25	●	-100%

Note: The status disclosed above is the progress made at the end of the current financial year and the performance measured against the goal will be reported independently of each year against the goal of the baseline year.

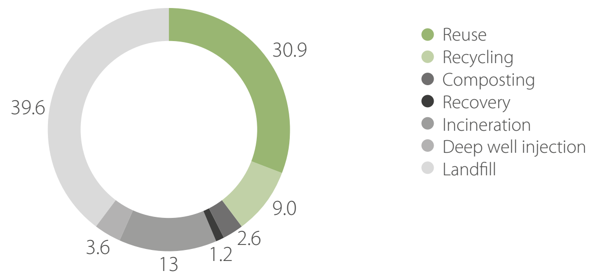
Group and industry group wise performance comparison:

Group performance	2022/23	2021/22*	2020/21
Volume of hazardous waste generated (MT)	401	338	279
Volume of non-hazardous waste generated (MT)	7,921	7,855	6,484
Non-hazardous waste recycled/reused by Group companies and through third party contractors (%)	46	32	22

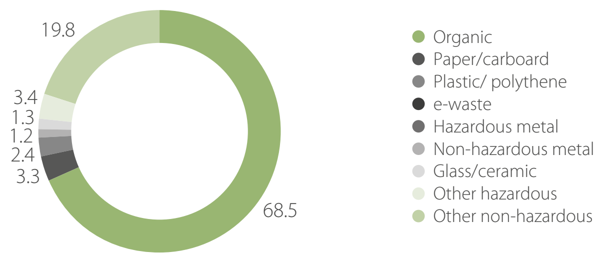
Waste Generated by Industry Group
(MT '000)



Non-hazardous Waste Disposal by Method
(%)



Waste by Composition
(%)



45% of total Non-hazardous waste either recycled or reused by Group companies and through third party contractors.

Waste generation based on respective operating factors of key industry groups:

Waste generated per operational intensity factor in applicable* industry groups

**Based on materiality. Waste generation within the Transportation, Property, Financial Services and Other, including Information Technology and Plantation Services industry groups are not material.*

Reef cubes made using crushed glass from hotels.

Social Entrepreneurship Project 'Plasticcycle'

261 recyclable plastic waste collection bins placed island-wide since the inception in 2017/18

36 recyclable plastic waste collection bins were added to the bin network during the year

29.2MT of recyclable plastic waste (Equivalent of 876,000 PET bottles) collected during the year

The Group's Social Entrepreneurship Project – 'Plasticcycle', completed five years of operations and continued to drive initiatives under the vision to be a catalyst in significantly reducing plastic pollution in Sri Lanka by encouraging the reduction in the usage of single-use plastics, supporting responsible disposal, and promoting recycling initiatives despite the challenging macroeconomic environment and resultant fuel shortages that curtailed mobility.

During the year under review, 'Plasticcycle' continued to drive behavioural change and encourage the adoption of the 4Rs (Refuse, Reduce, Reuse and Recycle) among varied stakeholders.

Improving collection and expanding the 'Plasticcycle' bin network

- Collaborated with Ceylon Cold Stores PLC, Coca-Cola Beverages Sri Lanka and the Road Development Authority to place 16 specially designed recyclable waste collection bins at the exits of the central expressway in March 2023.
- Partnered with 'Ghedora-Connects' to encourage female entrepreneurship in the plastic waste collection industry, by paying for recyclable plastic waste collected by unemployed women.

Supporting responsible disposal

- The University of Sri Jayewardenepura, a long standing project partner to find effective solutions to reduce plastic pollution, this year also partnered with 'Plasticcycle' in the 'Leave Only Footprints' project to ensure plastic waste collected from the Negombo beach was disposed responsibly.
- The annual staff activity 'Code Green Agents of Change' strengthened the commitment to the 4R pledge in November 2022, with a two-day competition held in multiple locations which included segregation of plastic waste, shopping plastic-free for a meal and upcycling plastic waste to create useful household items.
- 'Bin-novate-22' competition was a competition launched in April 2022, as a platform for the public to submit innovative designs for a recyclable plastic waste collection bin suitable to be placed in the coastal areas of Sri Lanka.

Awareness creation

- Awareness sessions were held throughout the year at multiple locations including schools, sports clubs, and hotels for ~3,000 participants on plastic pollution and importance of responsible disposal and recycling.
- Commemorating World Environment Day 2022, hosted a public webinar comprising a panel of industry experts on the impact of plastic pollution on the environment and sustainable solutions.

Webinar for awareness creation.

'Code Green Agents of Change' challenge.

Paper Conservation

The Group ensures that wastepaper disposed by its businesses is collected and recycled responsibly. During the year under review, 18,363 kg of paper was collected and recycled. The estimated savings are:

312 trees	**583,576** litres of water
32,227 litres of oil	**73,452** kWh of electricity
55 m^3 of landfill	Reduction of Green House Gas Emission by **18,363** kg of carbon equivalent

BIODIVERSITY

Given the Group's reliance on natural resources, protecting and conserving biodiversity is a focus area that is of importance to the Group. Whilst this is pivotal to all businesses across the Group and is integrated with Group's decision-making, this aspect is material to the Leisure industry group given that it leverages on diverse ecosystems as a part of its service offerings. Additionally, multiple initiatives are also undertaken through the Group's CSR entity, John Keells Foundation (JKF), under its focus area 'Environment'.

NATURAL CAPITAL REVIEW

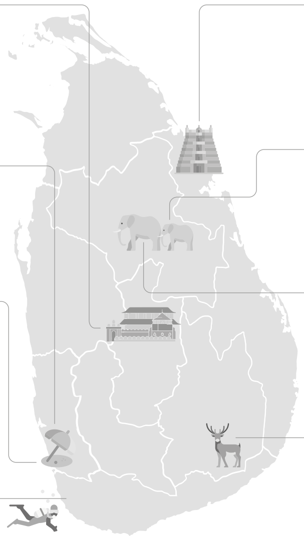
Proximity to biodiversity and its features – Sri Lankan Resorts

Cinnamon Citadel Kandy
- Mahaweli river and freshwater ecosystems, adjacent to property
- Extent of Site (km^2) - 0.0234
- *IUCN Category 4 - Habitat/ Species Management Area

Cinnamon Bey Beruwala
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) - 0.045
- *IUCN Category 2 - National Park

Cinnamon Bentota Beach
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) - 0.0446
- * IUCN Category 2 - National Park

Hikka Tranz by Cinnamon
- Marine ecosystem, adjacent to property
- Subsurface Land at Site (km^2) - 3,600
- Extent of Site (km^2) - 0.0176
- *IUCN Category 2 - National Park



Trinco Blu by Cinnamon
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) - 0.1143
- * IUCN Category 2 - National Park

Habarana Village by Cinnamon
- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km^2) - 0.0378
- *IUCN Category 2 - National Park

Cinnamon Lodge Habarana
- Minneriya tank sanctuary, 15 km away from property
- Extent of Site (km^2) - 0.1031
- *IUCN Category 2 - National Park

Cinnamon Wild Yala
- Yala national park, adjacent to property
- Extent of Site (km^2) - 0.0405
- *IUCN Category 2 - National Park

Note: All properties have obtained EPLs.
Unless explicitly specified, subsurface land at site (km^2) - 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 (km^2) – 0.1496

Velana International Airport

Ellaidhoo Maldives by Cinnamon
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) – 0.0556

Cinnamon Velifushi Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) – 0.05351

Cinnamon Hakuraa Huraa Maldives
- Marine ecosystem, adjacent to property
- Extent of Site (km^2) – 0.0543

Note: Subsurface land at site (km^2) -Nil.
Protected through The Environmental Protection and Preservation Act.

'Cinnamon Rainforest Restoration' Project

'Cinnamon Hotels & Resorts' continued its partnership with JKF, Ruk Rakaganno (The Tree Society of Sri Lanka) and the Forest Department of Sri Lanka on the three-year collaboration on 'Cinnamon Rainforest Restoration' project which involves the restoration of a degraded 59-acre plot in Suduwelipotha located in the Kalawana range in proximity to the Sinharaja forest reserve (a UNESCO world heritage site).

During the year in review:
- Planted 15,315 seedlings of 65 diverse species of wet zone indigenous forest plants.
- Organised 10 volunteer initiatives with the engagement of 343 volunteers.
- Recognised as 'Asia Pacific Nature-based initiative of the year' at the Environmental Finance's Sustainable Company Awards 2022.

Group Staff Volunteers at the 'Cinnamon Rainforest Restoration Project' Site.

Awareness for School Children at Nature Field Centre, Rumassala.

Ocean data logger installation.

Nature Field Centre, Rumassala

Through a public private partnership with the Central Environment Authority and JKF, a Nature Field Centre was constructed and equipped by JKF in 2008 to facilitate the conservation of the rich biodiversity of the locality and experiential learning for students and others.

During the year in review, the Nature Field Centre attracted 508 visitors and facilitated eight programmes for 450 persons. An awareness-cum-publicity video on Rumassala and the Nature Field Centre was produced towards enhancing self-sustainable mechanisms of the Nature Field Centre in terms of awareness creation as well as promoting income generation opportunities through hire of the property for permitted private events.

Conservation of Aquatic Ecosystems

- A total of 25 beach cleanups were organised to reduce the amount of plastic and other non-biodegradable waste that is diverted into the ocean including three major events organised as follows:
  - Beach cleanup and awareness programme at 'Hikka Tranz by Cinnamon' with the participation of over 250 volunteers, including military and police officers, hoteliers and other stakeholders.
  - Cleanup of the mangrove ecosystem of the 'Huraa Island' was carried out with the support of 'Cinnamon Dhonveli Maldives' and the local community.
  - 'Cinnamon Velifushi Maldives' collaborated with the local council to collect plastics on 'Keyodhoo' island.
- 170 children and staff of Hangnaamedhoo participated in an awareness programme titled 'Save the Ocean from Plastic'.
- As part of 'Cinnamon Hotels & Resorts' continued efforts to combat climate change, in order to monitor and report ocean data to National Coral Reef Monitoring Programme (NCRMP) in the Maldives, sixteen ocean data loggers were installed to collect ocean information around all the Maldivian Resorts.
- The coral propagation programme implemented in the islands of Dhonveli, Ellaidhoo and Velifushi in the Maldives has 40, 100 and 10 frames installed, respectively, around the inner and outer reef thus far.
- Periodic removal of waste retained on coral reefs carried out by the in-house diving teams of the Maldives resorts.

Conservation of Fauna and Flora

'Cinnamon Hotels & Resorts' implemented the biodiversity management plan with the aim of developing a scientific database for the biodiversity around all 'Cinnamon Hotels & Resorts' in Maldives, the 'Cinnamon' Complex in Habarana, 'Cinnamon Wild Yala' and 'Trinco Blu by Cinnamon', especially endangered flora and fauna. Following the mapping, 'Cinnamon Hotels & Resorts' intends to create awareness and develop action plans to take adequate action on the conservation of endangered species and manage invasive species. In the Hakuraa island in the Maldives, coral planting, turtle hatchlings, care and maintenance of the flora and fauna at the nearby sandbank, home for the endangered species called 'white tern', were undertaken.

Biodiversity Mapping Projects Carried Out	
Cinnamon Lodge Habarana and Habarana Village by Cinnamon	• 4,006 plant species • 376 types of fauna (131 invertebrates and 244 vertebrates) • Among the recorded faunal species, 32 were endemic to the island and 27 were listed as nationally threatened
Cinnamon Wild Yala	• 114 Plant species • 335 types of fauna (81 invertebrates and 254 vertebrates) • Among the recorded faunal species, 22 were endemic to the island and 28 were listed as nationally threatened

Mitigating Human-Elephant Conflicts

'Live and Let Live'- a community driven project is a collaborative effort between 'Cinnamon' Nature Trails, the Centre for Conservation and Research (CCR) and TUI Germany to develop best practices of meaningful coexistence in mitigating the growing human-elephant conflict in Sri Lanka, in Badiwewa area which is home to 108 families whose primary occupation is farming and cultivation. This pilot project aims to save lives of both humans and the elephants, minimise the destruction of crops by 50%, to better utilise abandoned farmland due to elephant crop raiding and reduce damage to the property and resources in the village. During the year in review a five-kilometre elephant barrier around the village was maintained.

HUMAN CAPITAL REVIEW

Employees within seven industry groups	Permanent employees	Total contract employees	Expatriate employees	Female representation
15,415	8,920	6,495	721	33%
FY22 - 14,700	FY22 – 8,429	FY22 – 6,271	FY22 - 703	FY22 – 33%

As one of the primary contributors to the Group's value creation process given its creativity, idea generation and productivity, the management of Human Capital is of vital importance. Attracting, retaining, and nurturing talent whilst providing development opportunities enables the Group to ensure long-term sustainability of its operations.

Key Highlights on Focus Areas under Human Capital

Key Highlights of the Year:

Systems and Processes*

- Continued data-driven human resource (HR) system and power business intelligence (BI) HR dashboard analysing HR data, enables effective decision making.

Talent Management*

- Continued use of talent management tools of the HR system to monitor and manage identification of talent pools, critical job roles and talent succession planning.
- Providing employment to persons with disabilities and working closely with the Employment Support for Persons with Disabilities (ESPD).

Compensation and Benefits*

- The Group introduced an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child.
- Introduction of an additional temporary crisis allowance

Employee Engagement*

- Implementation of culture surveys and compensation and benefits surveys for addressing gaps and areas for improvement.

Learning and Development

- Launch of the LinkedIn Learning Pilot programme.
- Internal upskilling programmes
  - Support Squad
  - Developing a lab-mindset
  - Increasing the internal trainer pool, through train the trainer initiatives.
- Launch of dedicated learning platforms in selected industry groups such as Financial Services and Transportation.

Health and Safety

- Health and safety of all internal and external stakeholders were ensured through stringent procedures in place.

SDG's Impacted through Initiatives

4. Quality Education

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

5. Gender Equality

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

8. Decent Work and Economic Growth

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

10. Reduced Inequalities

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

**These areas are governed by Group-wide policies and processes. Therefore, initiatives apply across all industry groups. Sector specific key initiatives carried out during the reporting period by the respective industry groups are stated under the ensuing sections.*

Approach

The primary responsibility of the Group Human Resource Framework is to ensure the development and implementation of effective HR systems, processes and strategies across the Group businesses. This involves creating policies and procedures that align with the overall objectives of the Group while ensuring compliance with all applicable laws and regulations. The framework also designs and implements compensation and benefit programmes that are competitive and fair across the respective industries.

During the year under review, the Group improved the Human Resources Information System (HRIS) by further augmenting power BI dashboards which enabled data-driven decisions and other efficiencies.

Notable emphasis is placed on the focus areas identified under the Group HR framework which enable the Group to ensure sustainable value creation to all its employees, thereby enhancing its human capital base.

Focus Areas

Composition of Group Workforce

465 Transportation	**1,363** Consumer Foods	**6,757** Retail
4,430 Leisure	**288** Property	**818** Financial Services
1,294 Other, including Information Technology and Plantation Services		

TALENT MANAGEMENT

The Group's talent management strategy focuses on developing, engaging and retaining high performing employees and improving business performance. The talent management modules in the HRIS facilitate the identification of talent pools, critical job roles and effective succession planning across the Group. The internal job posting programme facilitated the movement of employees within the Group during the year, encouraging employee mobility across the Group. Career chats, skip level meetings, and development plans, among others, have been put in place to encourage key talent to engage in various discussions with the senior leadership team regarding their career aspirations and development needs.

Initiatives adopted by the Group during the year:

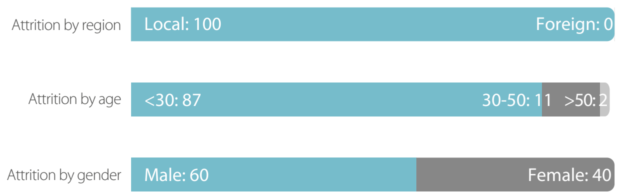
- The Group Management Trainee Programme was completed for the 16th consecutive year. 652 candidates applied for the programme of which three management trainees were hired.
- The Group in partnership with the London Stock Exchange Group of Sri Lanka and Unilever Sri Lanka facilitated a four-week summer internship for 15 undergraduates.
- Conducted the Retail Management Trainee Programme where selected recruits were offered the opportunity to fast-track their career progression to managerial positions. Further, the Retail industry group provided 'point of sale' training to develop skills of sales staff.
- The 'Cinnamon Management Trainee' programme was conducted by the Leisure industry group aimed at developing competencies needed for future hospitality leaders.
- The Leisure industry group continued the 'Cinnamon Care' training programme, which sets the standard for cleanliness and safety in hotels and resorts.
- Training was also provided to staff in the Leisure industry group on complaint handling and service recovery.

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

- Participated in the 'What Next? The Career Expo 2022' event organised by the Faculty of Management and Finance of the University of Colombo.
- Took part in the career fair and panel discussion hosted by Universal College Lanka in June 2022.
- Attended the official launch of Royal Institute Colombo's data science master's programme awarded by the University of London.
- Obtained accreditation as an 'ACCA Approved Employer – Trainee Development' - gold status.
- Participated in the Chartered Institute of Management Accountants (CIMA) career day held in October 2022.

Group Total Attrition
(%)

Group New Hire Attrition
(%)



The Group closely monitors attrition, with a particular focus on addressing attrition in sectors such as Information Technology and the Supermarket business, which inherently experience higher staff turnover levels. During the year under review, the Group's attrition rate was 31% [2021/22: 29%] which includes resignations and vacation of post. The Group experienced an increase in labour migration triggered by the socio-economic environment in the country. To this end, the Group continues to work on adopting measures to manage this to the extent possible.

COMPENSATION AND BENEFITS

The Group's performance cycle enables the identification of high performers and setting of succession plans whilst simultaneously providing development and training to employees requiring support. In addition to the bi-annual formal feedback sessions of the Group's performance cycle, continuous performance management (CPM) enables supervisors and teams to convert objectives into activities and record progress and feedback on a continuous basis. A cloud based HRIS enables all performance appraisals and career committee reviews to be performed virtually. In order to facilitate comparative compensation benchmarks, the Group conducted its periodic compensation and benefits survey through assigned third party external benchmarking consultant organisations.

In light of the increasing cost of living, interest rates and personal income tax rates, the Group provided a uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022. An additional temporary crisis allowance was provided from January 2023 onwards, in addition to employees' basic salary to assist employees in navigating the challenging macroeconomic environment. Further, other initiatives such as employee discounts, awareness sessions and webinars were arranged to aid employees in managing their personal finances.

During the year under review, the Group continued its agile work arrangements, where applicable, by offering flexible work arrangements in order to foster a culture of productive work-life integration.

In addition to the employee share option (ESOP) plans granted to the vice president and above staff categories in the Group, the Group granted a one-time ESOP to eligible assistant vice presidents and senior assistant vice presidents during the last quarter of the year under review.

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

Chairperson's Awards

The John Keells Group Chairperson's Awards was launched in 2004, as the highest internal recognition programme, to appreciate and acknowledge individuals and teams that have made a significant contribution towards the Group's triple bottom line. Over the years, this annual recognition has evolved to comprise awards in the categories of Outstanding Achievement, Corporate Social Responsibility, Sustainability, Innovation, Disruptive Innovation and Diversity Equity, and Inclusion. In November 2022, eight winners were recognised in the aforementioned categories.

Employee Benefit Plans

- In accordance with the labour laws in Sri Lanka, employees are eligible for the employees' provident fund (EPF) and the employees' trust fund (ETF) contributions, whilst Maldivian nationals employed in the Maldives are eligible for the Maldives retirement pension scheme (MRPS) contributions. The total contribution made to the employee trust funds for the reporting year amounted to Rs.283 million (3% of salary contributed by the employer), whilst the total contribution made to the employee provident fund was Rs.11.29 billion (10% of salary contributed by the employer and 15% of salary contributed by the employee). In Sri Lanka, employees are also entitled to retirement gratuity. The employee benefits liability as at 31 March 2023 stood at Rs.2.6 billion.

Collective Bargaining

- The Group engages with trade unions through joint consultative committees and other mechanisms on an ongoing basis. Formal agreements are found in the Consumer Foods industry group which covers 1,156 employees, and accounts for 7% of the Group's total employee count. TSF's wage structure is aligned with the regulations of the country's plantation industry.

LEARNING AND DEVELOPMENT

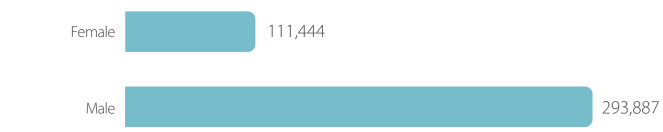
Building on the Group's future-focused learning culture and the need to align to a dynamic learning environment, the Group focused on enhancing the overall employee experience by promoting continuous engagement through various channels and interventions in order to foster employees' growth, knowledge, skills, to drive better business performance.

Rs.33 million
Total investment

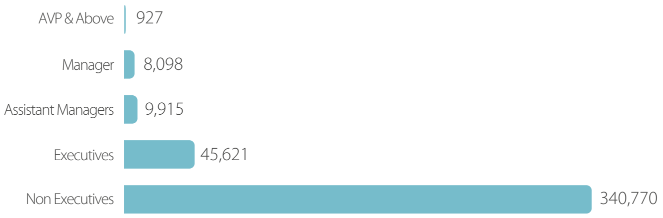
405,331
Total training hours

26
Average learning hours per employee

Training Hours by Gender
(No.)



Training Hours by Employee Category
(Hours)



**The higher number of training hours for non-executives were driven by the Supermarkets business; a majority of the non-executive cadre stems from the Supermarket business.*

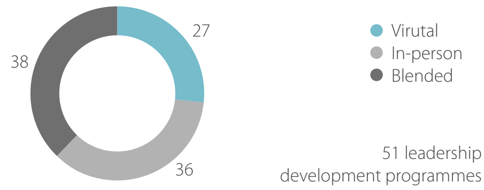
Training programmes conducted for employees.

Total Trainings

1,056
Total training hours

Rs.19.83 million
Total investment

Leadership Development Programmes
(%)

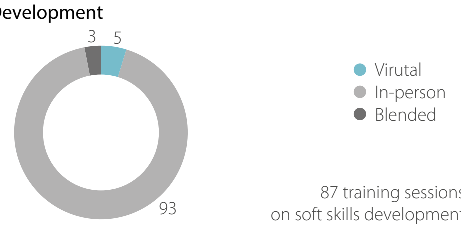


51 leadership development programmes

1,179
Total training hours

Rs.5.81 million
Total investment

Soft Skills Development
(%)



87 training sessions on soft skills development

3,739
Total training hours

Rs.7.71 million
Total investment

Role Based Training Interventions
(%)

152 role based training interventions

Learning and Development initiatives during the year:

- The Group launched the LinkedIn Learning Pilot programme for a selected group of employees by introducing on-demand, self-paced, bite-sized e-learning content, to better facilitate development through curated learning journeys.
- New learning initiatives were deployed as middle manager development programmes through internal faculty.
- The Leisure industry group initiated the 'Cinnamon Brand Ambassador' programme with the objective of improving service levels of identified associates.
- The 'Outlet Manager Development' programme by 'Keells' was conducted with the objective of development selected employees for future outlet manager roles.
- Development programmes such as 'Super six' were conducted with the aim of developing leadership skills of the associates at 'Cinnamon Hotels & Resorts'.

DIVERSITY, EQUITY & INCLUSION

The following initiatives were carried out during the year under review:

Introduction of gender-neutral terminology and strengthening awareness of gender identity

Key objectives:

- Avoiding word choices which maybe interpreted as biased, discriminatory or demeaning by implying that one social gender identity is the norm.
- Normalising discussions about gender identity and creating an inclusive work environment for transgender and non-binary individuals.
- Avoiding masculine generic terms and using suitable gender-neutral alternatives.
- Providing staff with the option of including respective gender pronouns on their respective email signatures.

Introduction of equal 100 days of parental leave

Key objectives:

- By increasing paternity leave from 5 days to 100 days, in August of 2022, the Group aims to eliminate discrimination associated with recruiting and promoting women, due to potential instances of maternity leave.
- Provide support to partners in the workforce, outside of the Group, enabling them to return to work after the end of their maternity leave, furthering our commitment to increasing female participation in the Sri Lankan workforce.

LGBTIQ+ inclusivity

- In June 2022, the Group launched a trilingual e-module as a long-term sustainable solution to create awareness among our people on LGBTIQ+ inclusivity. Developed together with the Grassrooted Trust and EQUAL GROUND Sri Lanka, this e-module is a mandatory annual refresher and is part of the Group induction.
- Sponsored the 18th Annual Colombo Pride Festival whilst partnering with three events focusing on education and awareness.
- In recognition of being a corporate LGBTIQ+ ally, the Group was invited to be a part of a Pride Month series on Daily Mirror in partnership with iProbono, on the importance of inclusivity of LGBTIQ+ persons in the workforce.

Status of the Group's five year Gender Parity goal

- Further to the commitment made by the Group in 2020/21, to increase female participation in the workforce to 40%, the Group continued to work on a diverse range of recruitment and retention initiatives which have resulted in an increase in female participation to 33% during the year in review.

The SanNap programme

- Further to the launch of the SAN NAP programme in 2021/22, in which phase one focused on providing sanitary napkins free of charge to our female employees, and phase two will provide the opportunity for all staff to offer their allotment to a family member, should they so choose. During the year in review, to increase awareness and to continue to break the stigma around menstruation and menstrual health, trilingual awareness sessions were conducted, across the Group, by medical professionals.

Promoting diversity in the Group's value chains

- The second issue of the annual bi-lingual DE&I newsletter, 'JK Connect', was disseminated amongst the partners in the value chain, in April 2022. This newsletter is aimed at keeping our partners up-to-date on the ONE JKH initiatives and as platform for sharing knowledge and insights on success stories on DE&I, from across our value chains.

Increasing career opportunities for Persons with Disabilities (PWD)

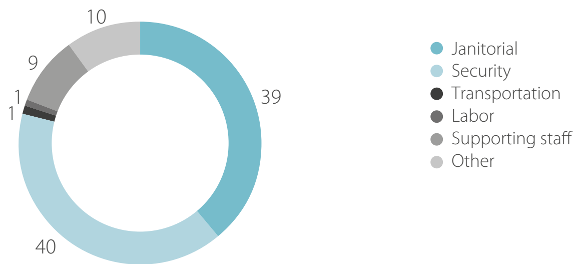
- In January 2023, the Group launched a policy and structured roadmap, which includes identifying roles across all our industry sectors that can be performed by PWD with reasonable accommodation, the appointment of supported employment officers, and conducting job mapping and awareness sessions by industry experts, such as Employment Support for Persons with Disabilities, which is a joint venture between the Japan International Cooperation Agency and the Department of Social Services Sri Lanka, and the Disability Organisations Joint Front (DOJF). With additional support through the participation in the International Finance Cooperations 'Together We Can +' Programme.
- ONE JKH was the principal sponsor of the event 'Our Story' organised by the DOJF, in commemoration of the International Day of Persons with Disabilities, with the objective of sensitising political authorities, policymakers, Government officials, and private sector representatives on the challenges faced by PWD in Sri Lanka.

We have launched a tri-lingual e-module on our e-learning platforms, accessible to everyone at John Keells Group. Through this, we aim to enhance awareness on gender identity, sexual orientation, being inclusive towards the LGBTIQ+ community and becoming an informed ally.

Commencing 2022, this course will not only be a part of the Group induction programme, but will also be a mandotary annual refresher for everyone at John Keells.

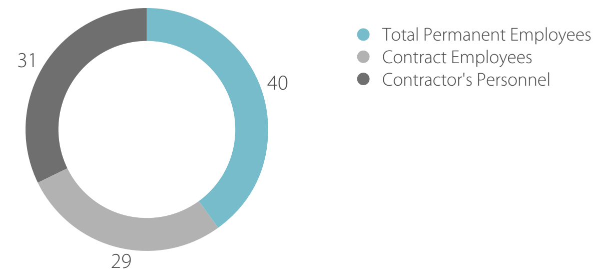
Contractor Personnel Employment by Type

(%)



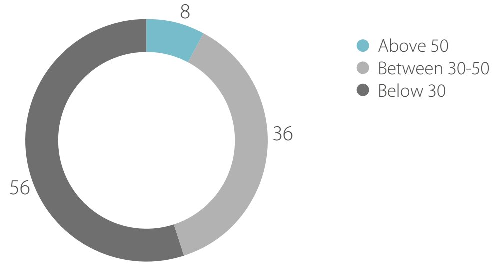
Workforce by Type of Employment*

(%)



Total Employees by Age

(%)



**The Group does not employ temporary, part time and non-guaranteed hours employees*

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
- 2 female directors

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

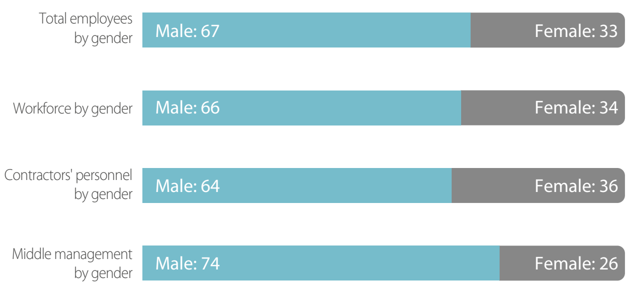
- 2 members are over 50 years whilst 6 members are between the ages of 30-50 years
- 1 female member

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

- 8 members are between the ages of 30-50 whilst 3 members are over the age of 50
- 4 female members

Group Gender Diversity

(%)



HUMAN CAPITAL REVIEW

EMPLOYEE ENGAGEMENT

Great Place to Work

During the year under review, the Group conducted its periodic culture survey through the independent third-party organisation 'Great Place to Work', where the Group recorded a two-point increase in the index in the overall employee sentiment. The Group continues to implement initiatives to uplift the areas identified as concerns in order to enhance the employee experience. 8,053 employees participated in the culture survey from GPTW.

Staff Volunteerism

Staff volunteers continued to play a vital role in supporting the coordination, implementation and monitoring of the projects at John Keells Foundation (JKF), the CSR entity of the Group. Volunteer opportunities unify staff, promote cross-learning and create meaningful experiences. Staff volunteers range from project champions, sector CSR coordinators and volunteer trainers to those who engage in skill-based volunteerism, field work and administrative support.

The year under review witnessed an increase in the number of volunteers engaged, following the resumption of normalised operations post the outbreak of the Covid-19 pandemic. 610 staff volunteers engaged in projects undertaken by JKF whilst 967 volunteer instances and 4,856 hours were recorded. The aforementioned statistics exclude CSR initiatives that were independently undertaken at a sector/business level.

Some of the Group Staff Volunteers at Kala Pola.

Sports and Engagement

- 'Career Week 2022' was launched in the third quarter of 2022/23, with the aim of encouraging and assisting staff in steering one's career towards their goals.
- Following a hiatus due to the Covid-19 Pandemic, employees represented the Group in mercantile tournaments for Netball, Hockey, Cricket, Rugby, Basketball, Badminton and Athletics. A few of the noteworthy achievements during the year in review include being named the champions of the 50th Mercantile Rugby Sevens Tournament, champions of the A Division Mercantile Cricket T20 Tournament, champions of Women's Plate category of the C division Mercantile League Netball tournament.

Mercantile Rugby 2022.

HEALTH AND SAFETY

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

Injuries	Employees	Contractors' personnel
High consequence injuries (number)	-	-
High consequence injury rate (%)	-	-
Recordable Injuries (number)	234	14
Recordable injury rate (%)	1.5	0.2
Number of hours worked (million)	30.8	13.7

In order to ensure a healthy and safe environment, the businesses of the Group conducted the following initiatives:

- Ceylon Cold Stores PLC and Keells Food Products PLC maintained the ISO 45001:2018 certification.
- Health and safety training were conducted for employees across the Group, which covered aspects such as fire fighting, fire safety and rescue, first aid, safe chemical handling, and food safety.
- ISO 45001:2018 occupational health and safety standards and ISO 22000:2018 certification on food safety standards were maintained by 'Cinnamon Hotels & Resorts'.
- In the Property industry group, ISO 45001 health and safety surveillance audits and internal audits were carried out to ensure maintenance, housekeeping, and security at all malls.
- The annual fire evacuation drill was conducted at the Union Assurance PLC head office in association with the Colombo Fire Brigade.
- The ISO 22000:2005 certificate was maintained at factories under Tea Smallholder Factories PLC, achieving zero product quality claims and improving product safety in terms of good hygiene practices.
- The Group conducted various programmes on mental health.

Fire safety trainings conducted for employees at CCS.

SOCIAL AND RELATIONSHIP CAPITAL REVIEW

Building sustainable relationships with customers, suppliers, community and all other stakeholders is pivotal to the Group to unlock long-term sustainable value. Multiple initiatives are undertaken throughout Group businesses to further strengthen its relationships with all its stakeholders.

Purchases from local suppliers	Persons impacted through community engagement	Spend on CSR
81%	**1,553,971**	Rs.**397** million
FY22 – 90%	FY22 – 1,955,639	FY22 – Rs.97 million

Given the unprecedented challenges on communities stemming from the macroeconomic crisis in Sri Lanka, the Group initiated a three-pronged Crisis Response initiative to address challenges surrounding health and nutrition, education and livelihoods.

Focus areas and priority SDGs under Social and Relationship Capital

Key Highlights of the Year:

Crisis Response Initiatives

Given the unprecedented challenges on communities stemming from the macroeconomic crisis in Sri Lanka, the Group initiated a three-pronged Crisis Response initiative to address challenges surrounding health and nutrition, education and livelihoods designed to create longer-term impact beyond immediate support. These programmes will where relevant be absorbed under the Group's respective CSR focus areas from 2023/24.

- 3,946 children were provided with 175,555 school meals, supporting better access to nutrition and sustainable supply systems through school-based initiatives while enhancing school attendance and learning engagement.
- 35,940 relief packs of essential items were distributed to disadvantaged families and child development centres.
- 1,311 farmers and home gardeners were supported with knowledge, skills, inputs and equipment to generate better yield and income, promoting food security.
- 400 micro-grants were provided to the elderly and children affected by the socio-economic crisis and 21 'Keells' MSME suppliers were given access to capital.
- 1,140 children were awarded various scholarships aimed at enhancing skills for better access to career opportunities and encouraging disadvantaged youth to pursue higher education.

Social Responsibility:

Livelihood and Community Development*

- Over 2,000 farmers supported through the 'Keells Govidiri' programme initiated to strengthen the capacity of agripreneurs, with a particular focus on youth and female farmers by promoting safe and consumer-driven practices that ensured consistency in production and availability of agricultural products.
- 2,794 green leaf suppliers assisted in aligning their operations to the requirement of the Rainforest Alliance Certification.
- Over 331 persons supported to improve access to knowledge, funding and markets for sustainable livelihood opportunities.
- Over 90,000kg of fresh produce were distributed to disadvantaged families.

Education*

- 1,142 university students benefited from various programmes aimed at enhancing the career-readiness of university graduates.
- 1,660 school children received school based educational support.
- 346 children and youth participated in development programmes including mental health and well-being.

SDG's Impacted through Initiatives

1. No Poverty

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

3. Good Health and Well-Being

Fostering healthy communities towards enhancing well-being and productivity.

4. Quality Education

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

5. Gender Equality

Working towards gender empowerment through skill development and infrastructure enhancement, eliminating gender based violence through awareness and capacity building.

8. Decent Work and Economic Growth

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

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

10. Reduce inequality within and among countries

Empowering and promoting social, economic and political inclusion and ensuring equal opportunity and equity.

11. Sustainable Cities and Communities

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

16. Peace, Justice and Strong Institutions

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

SOCIAL AND RELATIONSHIP CAPITAL REVIEW

Key Highlights of the Year:

Health*

- A special donation of LKR 100 million was made to the Suwa Seriya Foundation for use in the operations of the Suwa Seriya Ambulance Service towards ensuring its continuity of free-of-charge lifesaving emergency medical assistance in Sri Lanka.
- 655,551 persons benefited through internal and external awareness sessions and campaigns on gender based violence and child protection, HIV and AIDS, substance abuse prevention, safe and responsible tourism, breast cancer awareness, mental well-being programmes (adult-related), blood donation drives and vision and health camps.

Arts and Culture

- 2,281 artists benefited through various initiatives aimed at enhancing their livelihoods, skills and networks while providing a platform to showcase their work.
- Grants and in-kind support for five institutions involved in safeguarding and promoting visual, performing and literary arts and crafts in Sri Lanka.
- Restoration of three works of renowned artists George Keyt and Senaka Senanayake held under JKH's patronage.

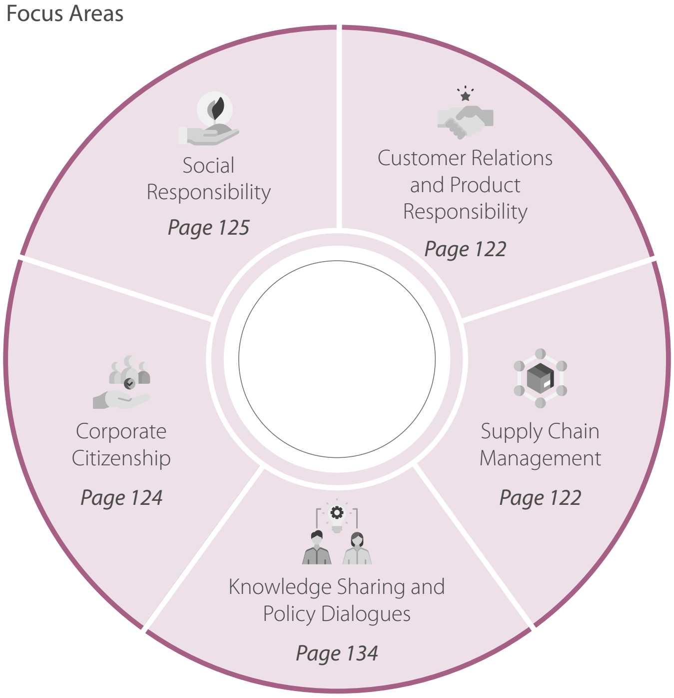
**Excluding beneficiaries under Crisis Response Initiative.*

The table above expands on the Group's key highlights of 'Supply Chain Management' and 'Social Responsibility' focus areas. There were no material initiatives undertaken under the 'Disaster Relief' focus area outside Crisis Response initiatives during the year under review.

Approach

The Group places emphasis on identifying, measuring and managing its focus areas under social and relationship capital through policies and processes which enable the Group to function responsibly, whilst being mindful of all stakeholders and leveraging on opportunities to create a positive impact.

Focus Areas



CUSTOMER RELATIONS AND PRODUCT RESPONSIBILITY

The Group's relationship with clients, the market and society are underpinned by ethics and independence and is pivotal in ensuring the sustainability of the business. This interaction takes place directly between clients and professionals on the ground, through satisfaction surveys and various other channels.

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

Product labelling and responsible communication

Consumer Foods Industry Group

Of the 341 stock keeping units (SKUs) manufactured:

- 100% carried information on the ingredients used
- 5% carried information on raw materials sourced
- 78% carried information on safe use
- 91% on responsible disposal of products

Retail Industry Group

Of the 421 SKUs sourced by JMSL for private labelling:

- 57% carried information on the ingredients used
- 1% carried information on raw materials sourced
- 46% carried information on safe use
- 97% on responsible disposal of products

SUPPLY CHAIN MANAGEMENT

The Group recognises the importance of collaboration and the need to create, protect and foster long-term environmental, social, and economic value for all stakeholders. The Group's Supplier Code of Conduct mandates compliance with relevant laws and regulations as well as adherence to international principles on ethical labour practices, human rights, environmental impacts, and other sustainability matters. This document is shared along with the contracts to all our suppliers.

The Group also focuses on encouraging female participation and diversity in all elements of the supply chain, by creating awareness. During the year, the Group shared the second supplier newsletter on Diversity, Equity and Inclusion (DE&I) practices. Further, the Group also works closely with its key suppliers to create awareness and disseminate knowledge on sustainability topics and best practices.

The Group continued its commitment towards creating a sustainable value chain by considering social and environmental aspects as a part of assessing tenders and online bids for high value items sourced, in addition to price and quality. During the year under review, supplier forums were carried out for 27 Group sourced suppliers under the theme Responsible Consumption and Production (SDG12) to improve awareness creation on sustainability related topics whilst supplier assessments were also carried out on 63 suppliers.

The significant suppliers of industry groups of the Group are identified below.

Industry group	Business	Significant suppliers
Transportation		Outsourced vehicle fleets; Suppliers of goods for warehouse storage and distributions; Maintenance, support services, and outsourced employees; Suppliers of capital equipment
Consumer Foods		Plastic packaging suppliers; Glass bottle suppliers; Dairy suppliers; Poultry suppliers; Sugar suppliers
Retail		Dry food product suppliers; Frozen and chilled product suppliers; Fresh meat suppliers; Vegetable and fruit suppliers; Household item suppliers; Third party tenants (within premises); Outsourced service providers
Leisure	Cinnamon Hotels & Resorts	Food and beverage and amenities suppliers; Travel agents and travel websites; Casual workers
	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
Property	Property Development	Construction contractors; Architects and interior designers
	RHL	Food, beverage and amenities suppliers; Travel agents and travel websites; Casual employees
Financial Services		Reinsurance partners; Outsourced service providers; Bancassurance partners
Other, including Information Technology and Plantation Services	Information Technology and Other	Strategic software partners; Expert skill/ knowledge partners; Outsourced operational functions; Outsourced support staff; Outsourced service providers; Transportation providers
	Plantation Services	Tea smallholder farmers; Tea plantations

Industry group-wise highlights of supply chain management initiatives

Whilst there are a multitude of initiatives undertaken at each of the industry groups, the material supply chain linked initiatives are highlighted below.

- Consumer Foods

  Ceylon Cold Stores PLC purchased a total of 9,583,274 kg of produce from 12,358 farmers during the year, thereby contributing to their livelihoods.

Product	Total Annual Supply (kg)	Number of Farmers
Meat	2,698,815	2,530
Spices	88,515	2,500
Cashew nuts	53,025	1,330
Vanilla	61	2,056
Ginger	20,044	227
Kithul jaggery	32,186	285
Vegetables	155,799	30
Treacle	102,675	200
Fresh milk	6,432,154	3,200

Newsletter on Groups DE&I initiatives for suppliers.

- Retail

  JMSL carried out the 'Keells Govidiri' programme, with the objective of strengthening the capacity of agripreneurs, especially focusing on youth and female farmers through safe and consumer driven practices in order to ensure consistency in production and availability.

  The Farmer Management System was launched in the reporting year and will aid the efficient management and tracking of over 2,000 farmers and their respective farms.

- Leisure

  Audits were conducted on key suppliers of 'Cinnamon Hotels & Resorts' and the central purchasing office.

  44 suppliers participated in the awareness sessions which were carried out covering topics such as quality, environmental practices and health and safety.

- Other, including Information Technology and Plantation Services

  Aligning operations to the requirement of the Rainforest Alliance certification by enhancing and promoting sustainable agriculture of 2,794 green leaf suppliers.

  Commenced the 9th phase of the Tea Smallholders Factories PLC's (TSF) tea replanting project aiding 20 green leaf suppliers by supplying 65,000 tea plants over 14.75 acres of land.

'Keells Govidiri'

1. Productivity Enhancement Project

'Keells Govidiri' launched by 'Keells' during 2021/22 is a productivity enhancement programme promoting smart agri-practices, which focuses on production consistency and availability of selected fresh produce. The programme was carried out in partnership with the Ministry of Agriculture and Smallholder Agribusiness Partnership Programme which is funded by the International Fund for Agricultural Development (IFAD).

Best practices implemented during the year	Impact
Implemented a drip irrigation system to maintain plant productivity and quality.	60% water saving
Installed insect proof nets to protect crops and reduce the use of insecticides.	80% cost savings of agro-chemicals and fungicides
Initiated poly mulching processes to conserve water and ensure efficient crop production.	

2. Youth Agripreneurs Greenhouse Cultivation Project

The 'Youth Agripreneurs Greenhouse Cultivation Project' is focused towards strengthening the capacity of youth agripreneurs.

24 Good Agricultural Practices (GAP) approved greenhouses completed.	48 farms approved. 294 farms processed.	24 youth agripreneurs.	210,532kg of vegetables sourced through greenhouses.

3. ILO – 'Keells' productivity enhancement of banana farmers from war displaced community from Palali.

6 training sessions with the participation of 50 Farmers was conducted during the reporting period on industry best practices for Banana cultivation.

KNOWLEDGE SHARING AND POLICY DIALOGUES

Given the scale of the Group, the Group is fortunate to be exposed to a wide array of information within the industries they are operating in and on a more holistic level. Given the scale of decisions, a part of the repertoire built is placed at the disposal of the Group's stakeholders in order to enhance the debate around the complex issues the Group addresses. Continual collaboration with the media, research, studies, debates and sponsorship of events provide clarity and guidance about such complex issues. During the year under review, the Group continued to deploy such strategies to promote knowledge sharing and advocate for best practice.

A notable portion of Group employees continue to be members of a number of organisations and associations representing a range of industries, fields and society as a whole, where they disseminate and gain knowledge by serving on boards, executive committees and subject-matter working groups for the benefit of sustainable development, both for the organisation and society.

Given the scale of decisions, a part of the repertoire built is placed at the disposal of the Group's stakeholders in order to enhance the debate around the complex issues the Group addresses. Continual collaboration with different stakeholder groups provide clarity and guidance about such complex issues.

CORPORATE CITIZENSHIP

The Group's role in society is defined by the Group's services and the manner in which the Group engages with its stakeholders. In this light, matters such as ethics, integrity, accountability and transparency are vital and is responsible for influencing the Group's strategy.

Refer the Governance section for further details.

SOCIAL RESPONSIBILITY

The Group continued to drive its Corporate Social Responsibility (CSR) vision through its CSR entity, John Keells Foundation and the established six focus areas: Education, Health, Livelihood Development, Environment, Arts and Culture and Disaster Relief. Initiatives under each focus area are planned and reviewed in the context of national priorities and are aligned to the Sustainable Development Goals as well as the Principles of United Nations Global Compact to ensure a collective and targeted focus towards addressing key universal development needs, focusing on the three dimensions of sustainable development - economic growth, social inclusion and environmental protection.

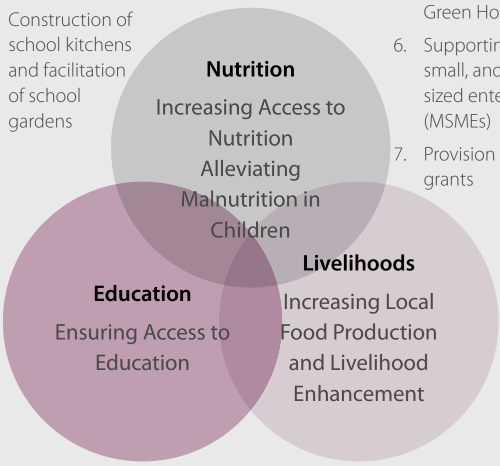
Crisis Response Initiative

During the year under review, the Group initiated a multi-pronged crisis response initiative to address the widespread socio-economic challenges affecting Sri Lanka under three themes: health and nutrition, livelihoods and education, in addition to the projects executed under the focus areas outlined above. The following projects were designed and implemented to provide both immediate relief as well as long-term empowerment-based support to affected persons under the broad pillars of food security and educational support.

"…Our children are struggling to come to schools due to the fuel crisis. The school meal programme is a relief to the parents and a motivation to send students to school…"

–Teacher, St. Anthony's Balika Vidyalaya, Colombo 03

1. Provision of school meals
2. Dry Ration Distribution
3. Construction of school kitchens and facilitation of school gardens
4. Home Gardening and Sustainable Farming support
5. Model Farms and Green Houses
6. Supporting micro, small, and medium-sized enterprises (MSMEs)
7. Provision of micro grants



8. English Language Scholarships
9. Higher Education Scholarships
10. Digital Learning Initiative

These programmes will be absorbed under the respective CSR focus areas of education, health and livelihood development in 2023/24.

Nutrition

'Pasal Diriya'

The Group's school meal programme 'Pasal Diriya' was launched in October 2022 in partnership with the Ministry of Education and in association with the Group's businesses, CCS, 'Cinnamon Hotels & Resorts', John Keells Properties and the Transportation industry group , to sustain and expand the implementation of the Government's school meal programme.

The programme is designed to provide nutritious meals on school days to children from 11 selected schools in the Western, Southern and Eastern Provinces as well as three pre-schools in the North Central Province. During the year under review, ten school kitchens were constructed and equipped and over 125,977 meals were provided to 2,951 school children and pre-school children through this programme.

Launch of 'Pasal Diriya' initiative.

In addition, the Supermarket business through its crowdfunding initiative 'Keells Meal Donation', supported 995 pre-school children in 26 locations with over 49,578 meals with the aim of providing young children between the ages of 2.5 to 5 years with better nutrition to grow and thrive and engage in their education.

A pilot school gardening project was undertaken in Colombo 2 to assess the viability of creating sustainable systems for schools to cultivate selected crops which could be provided as nutritious meals for children. A E Gunasinghe school enjoyed its first harvest of vegetables which was used as part of a meal served to 126 students.

Dry Ration Distribution

'Keells' in collaboration with local authorities, non-governmental organisations, and other stakeholders sponsored 25,340 relief packs of essential items. These were distributed to disadvantaged families in 120 locations across the country.

Union Assurance PLC partnered with the Department of Probation and Child Care Services and Colombo Expats Cultural Association to provide financial support to drive the campaign 'Feed a Child, Build a Future' which aims to provide basic necessities to 10,600 children living in 379 child development centres across Sri Lanka for a period of 100 days.

Livelihoods

Home Gardening and Sustainable Farming Support

JKF launched the Home Gardening and Sustainable Farming support initiative to assist identified stakeholders within the Group's business locations.

1,284 households in the vicinity of 'Elephant House' factories, 'Cinnamon Hotels & Resorts' and Victoria Golf and Country Resort were selected and provided agro packs which included various types of vegetable seeds/ saplings, agro bags and fertiliser to initiate or supplement home gardens, resulting in a cumulative harvest of 83,102 kg of vegetables benefiting 4,706 persons. The produce was used for household consumption while excess harvest was sold to 'Cinnamon Hotels & Resorts' and 'Keells' outlets in the reporting year.

The Sustainable Farming programme was initiated to facilitate the immediate resumption of production activities supporting the maintenance of livelihoods of selected farming communities while enhancing food and nutrition security in the country. Selected farmers were provided with farming inputs and equipment, knowledge, and technical support on modern agricultural practices to catalyse efficient and productive farming resulting in the resumption of local food production and livelihoods. 28 farmlands amounting to 19 acres around 'Cinnamon Hotels & Resorts' in Beruwala, Habarana, Kandy, Trincomalee and Weerawila were identified and provided with insect-proof nets, poly mulch, drip irrigation or sprinklers and water pumps. 27 farmlands continued to be in operation at the end of the reporting period directly benefiting 90 persons, with 12 farmlands recording a total of 15,171 kg of produce sold to economic centres, 'Cinnamon Hotels & Resorts' and 'Keells' outlets.

During the reporting year, JKF also initiated discussions with the Department of Prisons (DoP) on a pilot collaboration for a facilitated farming programme in a selected prison location aimed at supporting domestic consumption and benefiting from a commercial marketing arrangement with 'Keells' while providing training and income generation for inmates engaged in the programme. Kandurugas Ara open prison was identified as a suitable location and the parties were in discussion on details at the end of the reporting period.

Beneficiaries of a farming project in Habarana.

Farmer in Trincomalee pictured with a chef from 'Trinco Blu by Cinnamon'.

Model Farms and Green Houses

Model farms were set up at Ranala and Pannala by Ceylon Cold Stores PLC and Keells Food Products PLC, respectively, while greenhouses were established at 'Cinnamon Bentota Beach' and 'Cinnamon Lodge Habarana' to encourage staff and communities to be self-reliant whilst providing a learning space on best practices pertaining to farming. During the year under review, 2,000 kg of manioc was cultivated at the model farm in Ranala and 405 kgs of vegetables and fruits at the model farm in Pannala and were marketed at a concessionary rate among the employees through the welfare shop. Vegetables grown at Pannala were utilised by Keells Food Products PLC for its production while the excess was sold at a concessionary rate to staff.

Supporting Micro, Small, and Medium-Sized Enterprises (MSMEs)

'Keells' partnered with the United States Agency for International Development (USAID) to support MSMEs in the food sector to access capital. This initiative is aimed at empowering and uplifting standards of existing MSMEs that engage with 'Keells' in order to increase their competitiveness and resilience through key service areas such as quality certifications, digital marketing, enterprise resource planning (ERP) and access to finance. 37 suppliers were onboarded for each of the four service areas and are currently undergoing the relevant training process with a total of USD 1.4 million lent to 21 'Keells' MSMEs suppliers.

Provision of Micro Grants

Keells provided microgrants to 400 beneficiaries in over seven locations. The beneficiaries of these microgrants are the elderly and children in child development centres.

The Sustainable Farming programme was initiated to facilitate the immediate resumption of production activities supporting the maintenance of livelihoods of selected farming communities while enhancing food and nutrition security in the country.

Education

English Language Scholarship Programme (ELSP)

During the reporting year, JKF continued its flagship education project 'English for Teens' for the 19th successive year. The project is designed to progressively enhance English language and communication skills of school children and youth from socially and economically disadvantaged backgrounds, towards improving their opportunities for higher learning and sustainable employment. 706 students from 20 locations were offered scholarships under tier one and 154 students were offered scholarships under tier two during the year under review. Classes were held both virtually and in person amidst many challenges including power outages and transport related issues arising due to the country's macroeconomic crisis and were ongoing at the end of the reporting period.

Meanwhile, English Days were organised virtually at a provincial level to showcase the talents and learnings of the students in June 2022. The four separate events organised in the Western, Southern, Northern and Central Provinces drew participation of 456 students including 60 group and 81 individual performances.

Furthermore, awareness sessions on Child Protection addressing teenage problems such as love and attraction, anger management, self-worth, cyber safety and screen addiction were conducted benefiting 298 students during the reporting year.

Higher Education Scholarship

Through the Higher Education Scholarship Scheme, deserving youth from underprivileged communities were identified and awarded scholarships to encourage students to pursue Advanced Level and University education. This programme, which was launched in 2015, was expanded to support 50 additional scholarships during the year under review as part of the Crisis Response Initiative. A total of 51 Advanced Level students and 49 University undergraduates were provided scholarships during the year in review.

John Keells 'Praja Shakthi' Digital Learning Initiative – Phase 2

This initiative was launched in 2021/22 in partnership with Deutsche Bank, Dialog Axiata PLC and John Keells Office Automation initially to support selected ordinary and advanced level students facing disruptions to their studies due to the Covid-19 pandemic. This was extended during the reporting year to support students facing challenges due to the macroeconomic crisis. A total of 180 students in 11 schools in Colombo 2, Ja-Ela and Ranala were provided digital devices and data packages to continue their studies. Devices in usable condition from phase one were re-pooled among identified students and supplemented with 50 new devices.

JKF also introduced several safeguards with the support of its service provider, Dialog Axiata PLC. Both parties continued to closely monitor the online activities of students. Bundled learning such as child protection awareness including adolescence-related issues such as love and attraction, anger management, cyber safety and screen addiction were also conducted for the benefit of 1,966 students during the reporting year.

Launch of phase 2 of the John Keells 'Praja Shakthi' Digital Learning Initiative.

Scholarship beneficiaries at an ELSP inauguration ceremony held in Colombo 2.

Livelihood Development

The Group continued to identify and empower communities around selected business locations for upskilling and training on livelihoods, financial literacy awareness and enhanced market opportunities. Community interventions were assessed and customised to the needs of each location and planned and implemented in collaboration with the related Group businesses.

During the year under review:

- 13 batik artisans in Hikkaduwa continued to be supported by JKF and 'Hikka Tranz by Cinnamon' for the 3rd successive year, enhancing income generation to service the needs of the women artisans and their families.
- 12 women from the 'Batewela Ranliya Women's Society of Ranala' engaged in paper based product development continued to be supported by JKF for the 2nd successive year with orders generated within the Group for paper envelopes.
- As a means of supporting the livelihoods of local communities, 'Cinnamon Dhonveli Maldives' organised excursion tours for guests by employing locals.
- Coconut leaves were provided to women in Hangnaamedhoo to construct cadjans at 'Ellaidhoo Maldives by Cinnamon'. Through this project women have been able to earn over USD 10,000 during the reporting period.

- Infomate (Private) Limited together with JKF continued their long-term partnership with FARO in supporting the rural BPOs in Mahavilachchiya, Seenigama and Jaffna which recorded a total of 37 associates (predominantly young women) engaged in sustained work outsourced by Infomate, carried out within their own localities. Ontime Private Limited in Mahavilachchiya completed 15 years and Jaffna BPO Technology approached 10 years. The world class KPIs that are continued to be achieved by the BPOs amidst many challenges in the country are noteworthy. Moreover, several associates of Seenigama BPO Technologies found career progression opportunities within the Leisure and Retail sector.
- Keells conceptualised 'perfectly imperfect vegetables' which is used to market imperfect vegetables and decrease food waste. This concept guarantees that the majority of the crop is used to support farmers while passing on the price benefit to consumers. Under this initiative, 191,177 kg of vegetables were sold in 75 stores.
- 48 small scale suppliers, vendors and business owners were supported under the 'Praja Diriya' initiative. These vendors were provided a space at car parks to market their wares.
- In 'Cinnamon Hakuraa Huraa Maldives', local culture and livelihoods were promoted by purchasing handmade palm garlands, hand crafted items for celebrations and bed decorations from the locals.

Education

Total Immersion in English

Since 2006, Total Immersion in English is a customised programme organised under a long-term industry based initiative by JKF and the Transportation industry group, in collaboration with the Engineering Faculty of the University of Moratuwa. During the year, 97 first year undergraduates reading for a degree in transport management and logistic engineering (BSc (T&LM) Hons.) successfully completed the programme. This programme also involves the mentoring of students by senior professionals in the transportation and logistics field as well as facilitation of potential internships and recruitment.

The programme is designed to develop the knowledge, skills and attitudes necessary to equip undergraduates to face current challenges in fields such as logistics and supply chain management and public transport. This was conducted to enhance English skills, creativity and confidence levels of the participants.

Skills for University Undergraduates

JKF conducted two series of webinars providing practical learning on soft skills towards improving the employability of university graduates. 738 students from the University of Ruhuna, and the Faculty of Law of the University of Colombo participated.

TSF conducted six lectures on industrial awareness at the Neluwa tea factory for 48 undergraduates pursuing a degree in management and finance at the University of Moratuwa.

The Destination Management sector organised an exposure visit and an induction programme on the operations of destination management companies for 100 undergraduates pursuing hospitality and tourism management degree programmes at the University of Sabaragamuwa.

The 'Keells' Retail Skills Centre

The 'Keells' Retail Skill Centre at the National Apprentice and Industrial Training Authority (NAITA) premises provided NAITA trainees with real-life retail experience, while also providing classroom facilities and access to 'Keells' Retail Academy Online.

During the year under review, 59 undergraduates in six batches were trained for 492 hours through the 'Keells' Retail Skills Centre. Through this initiative, NAITA trainees received comprehensive training over a month and were prepared for job placements. Furthermore, over 100 undergraduates of the University of Kelaniya were trained to enhance their skills through real-life experience and insights from the retail industry. 'Keells' further collaborated as a strategic partner contributing to the marketing and digital marketing degrees through lectures, knowledge sharing sessions, internships and job placements.

Youth and Child Development including Mental Health and Well-being

- JKF together with ChildFund Sri Lanka and the University of Visual and Performing Arts, Colombo, conducted a series of 48 workshops on art, theatre, music and dancing under the John Keells 'Praja Shakthi' initiative. The series of workshops was initiated in December 2022 for children in Colombo 2, to address the psycho-social effects on youth resulting from intermittent school closures, prolonged online learning and limited social engagements during and in the aftermath of the pandemic. Following the successful completion of the workshops, a visual and performing art exhibition titled 'Colouring Their Dreams' was held to showcase the participants' learning and skills.

A performance from the 'Colouring Their Dreams' exhibition.

Beneficiaries of the aesthetic workshops.

- ChildFund Sri Lanka in collaboration with JKF and the Colombo Municipal Council, launched the Child Learning Centre at the De Mel Park Community Centre to facilitate English and IT learning as well as raise awareness on child protection and well-being. The learning centre was vested to the public in December 2022.

Opening of the Child Learning Centre at the De Mel Park Community Centre.

- A mental well-being and motivational programme was organised under the John Keells 'Praja Shakthi' Initiative in Ja-Ela which was intended on motivating underperforming ordinary level students. 276 students, 142 parents and 312 teachers from 24 schools under the Negombo Zonal education office participated in this programme.

Beneficiaries of the mental well-being and motivational programme.

Other School Based Support

- Union Assurance PLC sponsored sports equipment for the Handaganawa Maha Vidyalaya in Mahiyanganaya in support of one teacher's remarkable efforts to showcase his students' tremendous potential in rugby.
- 'Keells' supported 225 students in Batticaloa, Colombo, Ja-Ela, Karapitiya, and Seeduwa, by providing a selection of books and stationery items to commence a new school year.
- TSF distributed stationery to 850 students of the Thawalama Vidyaraja National School, Thawalama Primary School and Children's Clubs in commemoration of World Children's Day.
- TSF conducted a grade five scholarship examination preparation seminar for 585 students of the Thawalama Vidyaraja National School.
- TSF conducted an awareness programme on tea manufacturing to 250 students of the Medagama School.
- 'Cinnamon Bentota Beach' continued to support victims of the 2004 Tsunami disaster through the 'Sip Uwasara' programme in the Bentota region. Deserving students were provided books and educational material encouraging students to continue their education

Health

Project WAVE (Working Against Violence through Education)

- JKF undertook a multi-pronged campaign to mark the International Day for the Elimination of Violence Against Women partnering with the Bar Association of Sri Lanka and the Capital Maharaja Group. This comprised an interactive forum of lawyers, judges and police officers from the Women and Children's Bureau and Community Police in Kurunegela on the topic of 'Violence Against Women and Children – Addressing Gaps and Enhancing Access to Justice' which benefited 124 persons. Further, a cross-sectoral panel discussion was televised on the 'Satana' programme on TV1 and a two-week social media awareness campaign was executed with an estimated reach of over 622,721 persons.
- A three-day training programme on prevention of gender-based violence and child protection was organised by JKF in collaboration with the Women and Children Bureau (WCB) of Sri Lanka Police for the benefit of 39 police personnel representing community police and WCB officers of the Polonnaruwa division. This programme was designed to empower police officers to respond effectively and appropriately to incidents of gender-based violence (GBV) and child abuse and also facilitate community awareness on the subject.
- JKF together with 'Cinnamon Hotels & Resorts' launched a three-year strategic action plan on child protection with the aim of educating staff on identifying incidents of child abuse, reporting such incidents and training child protection trainers to carry the message to communities as a means of furthering objectives under 'Project WAVE' and Group policies.
- A week-long social media awareness campaign was initiated targeting Children's Day with a reach of 8,419 persons.
- General staff awareness sessions were conducted for a total of 1,884 Group personnel via an e-learning platform, internal awareness programmes and Group induction programmes on child protection, preventing gender-based violence and sexual harassment at the workplace.

'Project WAVE' is a flagship initiative of JKF launched in 2014 to combat gender-based violence and child abuse primarily through education and awareness creation. Staff awareness is integrated as part of induction and ongoing training for employees of the John Keells Group in addition to training of trainers and refresher programmes conducted periodically for Group staff who volunteer as master trainers on the subject. Staff also have access to an interactive e-learning platform and are encouraged to refresh their knowledge. 'Project WAVE' further encompasses various targeted communities through sensitisation and training programmes conducted for the benefit of identified communities under John Keells 'Praja Shakthi' initiative, such as students, teachers and law enforcement authorities including police officers, lawyers and judges as well as the general public.

SOCIAL AND RELATIONSHIP CAPITAL REVIEW

Lawyers and judges participating at the interactive forum in Kurunegala on 'Violence Against Women and Children.'

Police officers participating at the interactive forum in Kurunegala on 'Violence Against Women and Children.'

Substance Abuse Prevention Project

JKF launched the Substance Abuse Prevention Project in 2020 to combat the growing use of drugs and illegal substances prevalent in the country, affecting the health and well-being of children, youth and society as a whole. The primary goal of the programme is to educate teachers, guardians and relevant Government officers that through early intervention in a child's life, substance abuse and a range of other related behavioural problems can be prevented by means of positive brain development and an enabling environment. Under the project, sensitisation and training programmes are conducted for school teachers, parents and adolescent school children in collaboration with the National Dangerous Drugs Control Board and for pre-school teachers, parents and early childhood development officers in partnership with Humedica Lanka.

- During the year under review, JKF conducted substance abuse prevention awareness programmes among the early childhood development sector in collaboration with the Ja-Ela divisional secretariat, Charity Commissioner of Colombo, Humedica Lanka, CCS and KFP. Moreover, teachers and counsellors belonging to the Ambalangoda Zonal Education Office participated in a three-day teacher training programme on Substance Abuse Prevention conducted in partnership with the National Dangerous Drugs Control Board and Southern Provincial Education Department.
- In commemoration of the International Day Against Drug Abuse and Illicit Trafficking, JKF also undertook a week-long social media campaign to raise awareness among the public on ways to eradicate drug abuse, with an estimated reach of 12,447.

An awareness programme on Substance Abuse Prevention conducted for pre-school children's parents in Ja-Ela.

John Keells HIV and AIDS Awareness Campaign

John Keells HIV and AIDS Awareness Campaign was launched in 2005 with a focus on prevention through education and access to correct information among targeted groups. During the year under review, World AIDS Day was commemorated with staff across the Group donning a red ribbon to show solidarity with persons living with HIV and AIDS. Additionally, a total of 61 staff from 'Cinnamon Lodge Habarana', 'Habarana Village by Cinnamon' and LogiPark International Limited in Kerawalapitiya participated in two awareness programmes conducted in commemoration of the World AIDS Day.

Breast Cancer Awareness

'Cinnamon Hotels & Resorts' raised awareness on breast cancer among 300 staff at 'Cinnamon' with the aim of creating a difference in the fight against cancer.

Assistance to Improve Mental Health and Well-being of Adults

In a bid to improve the mental health and well-being of the residents of the Horivila Ayurvedic Hospital and Sandagirigama Elders' home in Yala as well as to support the development of a conducive atmosphere for all in-house and walk-in patients of the hospital, 'Cinnamon Wild Yala' conducted a workshop which involved cleaning and colour-washing the premises.

The Destination Management sector organised a mental detox workshop with Kathleen Landbeck for its staff.

Blood Donation Drive

'Ellaidhoo Maldives by Cinnamon' organised a blood donation camp within the hotel premises in collaboration with the Maldivian Blood Services with the participation of 75 donors.

TSF organised two blood donation camps with the participation of 450 donors.

Vision and Health Camps

TSF organised a free vision screening programme for 60 members of the bought leaf suppliers and community at the Neluwa tea factory and also conducted a health camp and crop clinic for 410 bought leaf suppliers and the community at the Halwitigala tea factory.

Safe and Responsible Tourism

The Destination Management sector organised a workshop and training programmes on safe and responsible tourism covering effective identification, referral and protection of victims of trafficking, for 31 chauffeur guides and staff. Furthermore, training on first aid was conducted for 35 chauffeur guides.

Suwa Seriya Ambulance Service

JKH released a donation of LKR 100 million to the Suwa Seriya Foundation under agreement for use in the operations of the Suwa Seriya Ambulance Service. The contribution aims to support the ambulance service, which has been facing financial constraints, and will enable the service to continue providing the general public free-of-charge lifesaving emergency medical assistance in Sri Lanka.

The donation was undertaken under the Health focus area of CSR to support and empower the communities in which we operate and as a means of empowering the Suwa Seriya Ambulance Service and the outstanding work that is done every day by these first responders to save lives across Sri Lanka.

Arts and Culture

Kala Pola (Art Fair)

- The 30th year of Kala Pola, Sri Lanka's premier open air art fair, was held in February 2023. A long-term collaboration between the George Keyt Foundation and the Group, this was the first Kala Pola street fair held since the onset of the pandemic. The event drew an encouraging response attracting 312 adult artists, 358 child artists and over 33,000 visitors, generating an estimated Rs.35 million in sales.
- In addition to its focus on visual art, Kala Pola also showcased a kaleidoscope of Sri Lankan performing arts including dances, drummers and folk singing in a carnival-like atmosphere.
- CCS organised the Children's Art Corner which attracted 110 budding art enthusiasts who enjoyed experimenting with paints and clay under the guidance of teachers of the Cora Abraham Art School.
- As a 30th year commemoration, Kala Pola 2023 featured a 'top five artists award' adjudged by a panel of art experts.
- The event was supported by 150 Group volunteers.

Digital Art Gallery

JKF continued to host and upgrade the Sri Lankan Art Gallery website (www.srilankanartgallery.com), which serves as an online platform available free of charge for Sri Lankan visual artists to showcase their work whilst sustaining and enhancing the interest of art patrons. As at the end of the reporting period, 1,415 artists were registered with the Sri Lankan Art Gallery displaying a total of 11,702 works of art. 29,587 persons visited the site during the period.

Museum of Modern and Contemporary Art (MMCA)

JKF is a benefactor of the Museum of Modern and Contemporary Art (MMCA) which is a public museum established in 2019 dedicated to the display, research, collection, and conservation of Sri Lankan modern and contemporary art. In the year under review, MMCA undertook the following:

- A second exhibition titled 'Encounters' with three successive rotations attracting 20,866 visitors. A cumulative total of 1,869 visitors joined 101 free public programmes which included 15 gallery talks, 19 workshops, 31 curators' tours and 30 special events. Further, 656 visitors joined 28 curators' tours conducted as part of the MMCA Sri Lanka's outreach programmes.
- Conducted the first museum intensive programme involving 18 organisations from across the island in collaboration with the Reinwardt Academy and the Cultural Heritage Agency in the Netherlands. This programme aimed to build capacity of professionals within the Sri Lankan cultural sector.
- 'MMCA Afterschool' was launched with the aim of providing stimulating and collaborative learning experiences for school children between the ages 6-10.

Gratiaen Trust

JKF continued its primary sponsorship of the Gratiaen Trust aimed at recognising, promoting and nurturing Sri Lankan authors. Key activities during the year under review included:

- The 29th annual Gratiaen prize and the H.A.I. Goonetileke prize for literary translation recording 79 entries for the Gratiaen prize and 10 entries for the H.A.I. Goonetileke prize.
- Two workshops conducted by the acclaimed actress, Ms. Fiona Shaw.
- An outreach programme on Children's Day incorporating an interactive workshop on creative storytelling, targeting young writers and readers of literature, which was held in Matara.
- As part of its 30th year commemorative activities, a day of creative literature arts was organised in Jaffna.
- The Gratiaen Trust engaged with 164 Sri Lankan authors, writers and students through its activities in the reporting period.

Restoration of the George Keyt Art Collection

During the year under review, JKF initiated the restoration of two paintings of the George Keyt Collection and one painting of Senaka Senanayake under JKH's patronage as a means of conserving the legacy of Sri Lankan art.

Aluwihare Heritage Centre (AHC)

JKF continued its sponsorship of AHC's programmes during the reporting year, including funding support for a series of exhibitions celebrating the birth centenary of Ena De Silva - a renowned Sri Lankan artist credited with re-establishing the country's batik industry.

JKF also continued to fund and support AHC's process of recording and archiving over 4,000 tracings of batik samples of the late Ena De Silva through the sponsorship of archiving cabinets.

Community Service Initiatives

Maintenance of Kompanna Vidiya Railway Station

JKF renewed its 20-year public-private partnership with Sri Lanka Railways for refurbishing and maintaining the historic Kompanna Vidiya (Slave Island) Railway Station for the benefit of the large number of commuters who travel to and from the city. 550,676 commuters accessed the railway station in the reporting period.

Community Kitchen and Food Redistribution Initiatives

'Cinnamon Hotels & Resorts' facilitated the community kitchen at the Gangaramaya Temple, ongoing since December 2022. Over 700 daily meals are provided to deserving people through this initiative.

Keells continued its food redistribution initiative through which 90,000 kg of fresh produce were distributed among over 5000 deserving beneficiaries monthly through 64 stores.

Estate Community initiatives

TSF provided assistance for road renovations in Kurupanawa and Hiniduma benefiting 2,750 residents. Furthermore, technical and material assistance was provided for the renovation of a bridge on Halwitigala road for the benefit of 850 residents of the area.

TSF also contributed towards festivals and events held in rural areas benefiting 2,000 persons

INTELLECTUAL CAPITAL REVIEW

The Group's Intellectual Capital is a source of competitive advantage and a differentiator in a constantly evolving business landscape. It is pivotal to sustainable value creation across the Group and is a key contributor to the Group's earning potential, productivity, and long-term sustainability. The Group strives to continuously innovate and adapt to the dynamic digital era through advanced technology and data analytics, leveraging on the skills and knowledge of its employees.

Focus areas and priority SDGs under Intellectual Capital

Key Highlights of the Year:

- OCTAVE continued its advanced analytics transformation journey in collaboration with a global consulting firm. Many of the use cases that were developed and pending pilot and roll-out were executed successfully.
- Approval was granted by the National Intellectual Property Office (NIPO) in select jurisdictions for the patent filed in relation to the novel energy storage material which was developed in 2016/17.
- JKR filed trademark applications at the NIPO in Sri Lanka, to register the Silmetic™ and Germslay™ trademarks, which cover technologies surrounding cosmetic and polymer applications, respectively.
- JKR together with Keells Food Products PLC entered into a technology sharing agreement to scale-up JKR's plant-based meat analogue technology.
- The pre-accelerator programme 'JKX 4.0' was concluded with six start-ups chosen for seed funding.

SDG's Impacted through Initiatives

7. Affordable and Clean Energy

Develop innovative and efficient solutions surrounding modern energy services.

8. Decent Work and Economic Growth

Continue to collaborate with and support the start-up ecosystem of Sri Lanka by creating a unique platform for disruptive and innovative technology-based solutions.

Facilitate a digital transformation drive, through advanced analytics solutions with the aim of enabling data-driven decision-making in businesses.

9. Industry, Innovation and Infrastructure

Continue to grow the Intellectual Capital base by innovating, relying on new technology and leveraging on the skills and knowledge of employees.

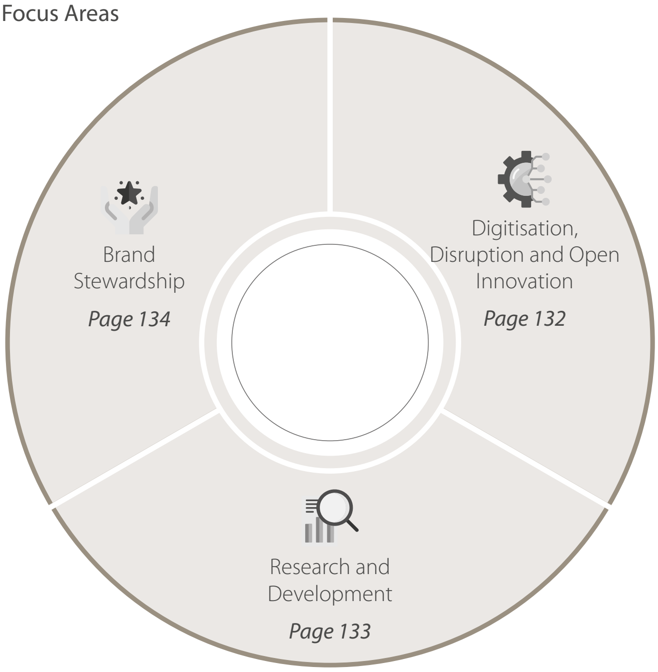
17. Partnerships for the Goals

Explore opportunities both locally and globally to commercialise existing technology and continue to develop potential solutions to dynamic business needs which could lead to contemporary business models.

Approach

The Group has identified the following focus areas as material in developing the Intellectual Capital base of the Group.

Focus Areas



DIGITISATION, DISRUPTION AND OPEN INNOVATION

The business climate is characterised by fast-growing disruptive technology and radically changing consumer expectations. Against this backdrop, the Group has placed emphasis on creating a platform to facilitate its digital transformation drive, centred around the theme 'Disruption and Innovation' to seize and leverage on potential opportunities offered through disruptive technology and research and development. The Group's digital transformation drive takes into consideration a holistic approach and entail investments in infrastructure, instilling a culture of change acceptance and training of staff, among others. The Group acknowledges that disruptive technology is not simply a driver of growth and opportunity, but an important source towards gaining a competitive advantage. 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) are a testament to the Group's commitment to its digital transformation drive.

JKX's portfolio of start-ups remained resilient during the year under review despite the challenging business environment, with some demonstrating encouraging performance. Select start-ups also made headway on follow-on investment opportunities.

Advanced Analytics Transformation Journey

OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, continued to grow in capability and team strength, functioning as a pure play advanced analytics practice equipped to deliver end-to-end advanced analytics solutions.

The transformation journey continues to successfully address key business challenges through the deployment of advanced analytics solutions, whilst driving the adoption of data-driven decision-making in day-to-day operations of businesses served by OCTAVE.

- As noted in the 2021/22 JKH Annual Report, work on a series of advanced analytics use cases in the Retail, Consumer Foods, Financial Services and Leisure industry groups yielded promising results with pilot projects delivering evidence of significant value that can be unlocked from translating advanced analytics insights into front line business interventions. Accordingly, tested use cases continued to be rolled out at scale.
- The ongoing assessment of the impact to businesses of these advanced analytics solutions, post roll-out and complete business wide adoption has provided strong evidence that the anticipated benefits that were evident through initial pilot projects can be sustained at scale, with iterations to adapt to a changing operating environment as and when required.
- The domestic macroeconomic challenges necessitated a continued review of the timing, piloting and rolling out of certain use cases. However, with the operating environment exhibiting a certain degree of stability in the second half of the year under review, many of the use cases that were developed and pending pilot, were rolled-out successfully, particularly in the Supermarket and the Beverages businesses.
- The use cases rolled out in the Supermarket business made positive contributions across core aspects of the business value chain. This included improving the efficacy of pricing and promotion, marketing, store operations and supply chain interventions at the business. The use cases further aided business objectives of driving healthy and sustainable margins while retaining sound value for money for customers, optimising inventory holdings and improving availability of stock keeping units (SKUs) at outlets, personalising marketing communications and improving the efficiency of outlet replenishment and rostering in outlet operations. Other use cases being rolled out in the ensuing period are aimed at optimising the product mix at outlets.
- The use cases in the Beverages business have contributed towards optimising promotional spend across modern trade and general trade segments and augments the efficiency of the distribution network of the business across several levers. Other advanced analytics use cases being rolled out in the ensuing period will also attempt to optimise production planning.
- Several use cases were also piloted aimed at developing a better 360 degree understanding of customers within the Group and how they interact with the different consumer brands across the Group portfolio. These yielded promising results and further interventions in this regard are planned in the ensuing period.
- During the year under review, OCTAVE embarked on creating new road maps for potential use cases across several verticals of the Group while data governance practices were further strengthened with the adoption of a data governance tool that was deployed to serve core verticals.
- The OCTAVE Advanced Analytics Academy, which offers in-class room training, online courses and curated on-the-job learning for each cohort of roles linked to the advanced analytics transformation programme, has successfully trained over 290 team members across the Group. The team continued to operate with increasing independence as per the design and plan of the transformation programme that was initiated in collaboration with a global consulting firm in mid-2019. Independent delivery of these advanced analytics use cases has further institutionalised capability within the Group to sustain a strong advanced analytics practice, which was augmented further with the onboarding of additional senior advanced analytics professionals.

JKX, the Group's start-up accelerator and open innovation programme, provides a unique platform to nurture disruptive and innovative technology-based businesses and solutions emerging from the start-up ecosystem of Sri Lanka. JKX provides support in the form of seed funding, mentoring, training, access to Group networks and support services, and other resources.

With the launch of 'JKX 4.0', the fourth standard accelerator programme in 2021/22, the pre-accelerator programme of 'JKX 4.0' was conducted from April – September 2022, which included workshops and mentorships to develop skills and competencies of the selected start-ups, amongst others. The programme concluded with a demo day held in September 2022, to assess the potential of the 12 selected start-ups, of which six were chosen for seed funding.

RESEARCH AND DEVELOPMENT

John Keells Research (JKR), the research and development arm of the Group, is engaged in discovering new, innovative and efficient solutions for dynamic business needs, as well as potential solutions which could lead to novel products and processes and enhance the Intellectual Capital base of the Group.

Key projects undertaken by JKR during the year under review:

- The patent for JKR's novel energy storage material, which was developed in 2016/17, was granted in the jurisdictions of Taiwan, China, Japan, and South Korea. The patent applications filed in other jurisdictions are currently in the final stages of evaluation. This was a collaboration between the National Metallurgical Lab of the Council for Scientific and Industrial Research India, (CSIR-NML) and JKR.
- During the year under review, JKR filed trademark applications at the National Intellectual Property Office (NIPO) in Sri Lanka, to register the Silmetic™ and Germslay™ trademarks, which cover technologies surrounding cosmetic and polymer applications, respectively.
- JKR and Keells Food Products PLC entered into a technology sharing agreement to scale-up a plant-based meat analogue technology developed by JKR.
- Further to entering into JKR's first technology license agreement in 2021/22, JKR's proprietary Silmetic™ technology was used in a range of antibacterial skin care products by a cosmetic products manufacturing partner. The 'DermaPRO' triple laser night cream, day cream and serum products were launched to the market during the year.

BRAND STEWARDSHIP

Given evolving business trends and customer preferences, the Group's brand strategy aims at remaining relevant, whilst resonating core values of the Group. To this end, the Group engaged in the following initiatives during the year under review:

- The ONE JKH brand and initiative thereunder represents the Group's commitment to Diversity, Equity and Inclusion (DE&I) and primarily emphasises on three focus areas: increasing female participation in our workforce towards achieving gender parity, increasing career opportunities for persons with disabilities and ensuring inclusivity of the LGBTIQ+ community.

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

Gender Parity | Persons With Disabilities | LGBTIQ+

- 'Cinnamon Hotels & Resorts' renewed its strategic direction, 'Cinnamantra', where a new purpose with seven associated core values; greatness, compassion, agility, well-being, inclusivity, trust, and curiosity, were rolled out during the year under review.
- The logo design of the Victoria Golf Resort was rebranded to represent the terrain of the course, surrounding scenery and the passion for golf that drives the brand. The logo design incorporates the V of Victoria as an integral part of the design, which creates the impression of two mountains intersecting to reflect the topography of the golf course, the three shades of green to represent the lush greenery of the golf course and the flagstick to highlight the focus on golf as the primary offering.
- Mack International Freight launched a new logo showcasing the business's continuous improvement and potential going forward in the freight forwarding industry of Sri Lanka.
- Subsequent to the refurbishment of the 'Crescat Boulevard', the mall was positioned as a lifestyle destination, with the revised tagline reading as 'The Heart of Convenience'.

Some of the key accolades received by John Keells Holdings PLC during the year under review, include:

- Ranked first as the 'Most Respected Entity' in Sri Lanka for the 17th year at the 18th annual edition of LMD's Most Respected Entities rankings. The rankings are based on the survey commissioned and conceptualised by LMD, and conducted by NielsenIQ.
- JKH was placed first for the third consecutive year in the Transparency in Corporate Reporting Assessment by Transparency International Sri Lanka, obtaining a 100% score for transparency in disclosure practices.

*For the industry-group specific awards, refer Industry Group Review – **page 47**.*

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

Transportation
Transportation
Ports and Shipping

Consumer Foods
Beverages
Frozen Confectionery
Convenience Foods

Retail
Supermarkets
Office Automation

Leisure
Cinnamon Hotels & Resorts
Destination Management
Hotel Management

Property
Property Development
Property Management

Financial Services
Insurance
Banking
Stock Broking

Other, including Information technology and Plantation Services
Information Technology
Plantation Services
Other

OUTLOOK

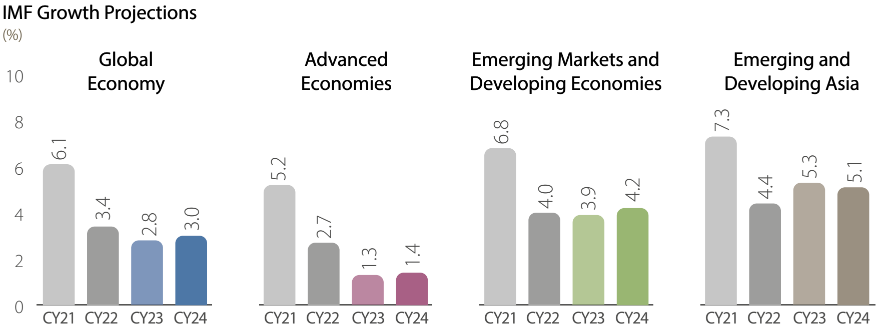
The section that ensues entails a discussion of the Group's approach to navigating through the current socio-economic and socio-political landscape. The section highlights industry-specific implications as well as the way forward for the Group.

MACROECONOMIC OUTLOOK

Global Context

The International Monetary Fund (IMF) projects global growth to slowdown to 2.8% in CY2023 and marginally increase thereafter to 3.0% in CY2024 and beyond. The slowdown in growth is projected on the back of tightening policy stances adopted in most major economies to contain inflationary pressure, lagged effects of the recent deterioration in financial conditions, the ongoing Russia-Ukraine conflict, and growing geo-economic fragmentation. Downside risks to this outlook include a deterioration in financing conditions on the back of acute financial sector stress, sovereign debt distress becoming more systematic, potential aggravation of the Russia-Ukraine crisis and more persistent inflation, compelling Central Banks worldwide to adopt a further policy tightening response.

IMF Growth Projections



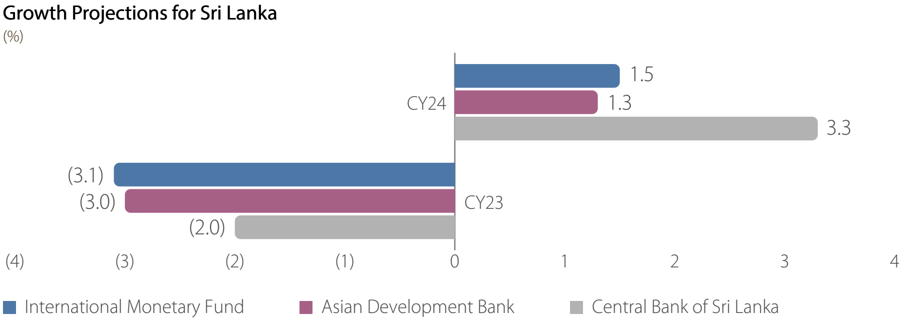
Source: World Economic Outlook April 2023, International Monetary Fund.

Global headline inflation, as per IMF, is forecasted to slow down to 7.0% in CY2023 [CY2022: 8.7%] on the back of lower commodity prices, although inflation's return to target is unlikely before CY2025 in most economies. With economies trending to target inflation rates, the IMF predicts that structural drivers are likely to reduce interest rates to pre-pandemic levels gradually.

Sri Lankan Context

The Government and the Central Bank of Sri Lanka (CBSL) have implemented a multitude of much required reforms to stabilise the macroeconomy and the overall operating landscape, which has proved fruitful, thus far, in stabilising the economy through effectively managing demand pressures, curbing the rapid rise in inflation and easing the pressure on the external sector. Such policy measures coupled with the IMF Extended Fund Facility (EFF) arrangement, which is aimed at restoring macroeconomic stability, debt sustainability, safeguarding financial system stability and strengthening governance, are envisaged to provide a strong foundation for the economy's sustained recovery. Against this backdrop, the Central Bank of Sri Lanka (CBSL) projects the economy to contain its contraction to 2.0% in CY2023, as opposed to the 7.8% contraction in CY2022, rebounding thereafter to a growth of 3.3%.

Growth Projections for Sri Lanka



Sri Lanka received much-anticipated approval from the Executive Board of the IMF for the EFF arrangement in March 2023 with the aim of restoring macroeconomic stability and debt sustainability. In April 2023, Sri Lanka received the initial tranche of ~USD 333 million whilst Sri Lanka's creditor nations convened in May 2023 to find an appropriate solution to Sri Lanka's debt treatment, consistent with the parameters of the IMF programme. Sri Lanka is now faced with the challenging task of negotiating with the country's creditors to reach an equitable debt treatment plan with all creditors. There is still uncertainty as to the need for a domestic debt restructuring (DDR) and, even if so, the form, structure and breadth of the same. The Governor of CBSL has assured the stability of the domestic banking system as well as the protection of public deposits will be paramount in any kind of debt optimisation programme. The risk premia currently attached to domestic debt as a result of this uncertainty should fall away once there is clarity on the DDR with expectations that interest rates will ease significantly thereon. Further to the announcement on the intended treatment of domestic debt in late-March 2023, the Central Bank of Sri Lanka has communicated that they are working towards publicly announcing its debt restructuring strategy in the near future, enabling the speedy initiation of the debt restructuring process and completion before September 2023.

Sri Lanka is now faced with the challenging task of negotiating with the country's creditors to reach an equitable debt treatment plan with all creditors. There is still uncertainty as to the need for a domestic debt restructuring and, even if so, the form, structure and breadth of the same. The Governor of CBSL has assured the stability of the domestic banking system as well as the protection of public deposits will be paramount in any kind of debt optimisation programme.

OUTLOOK

In pursuit of the Government's goal of achieving a tax revenue target surpassing 15% of GDP by CY2027, the Government has already implemented some of the required measures to enhance sustained revenue generation, including upward revisions to direct and indirect tax rates, broadening the tax bases, among other actions. Whilst these measures, as expected, would curtail consumer spend and activity in the short to medium-term, the stability and confidence in achieving fiscal consolidation will lead to a more sustained recovery.

The new legislative enactments regarding fiscal responsibility are much needed to ensure policy consistency and macroeconomic stability, as it provides the relevant checks and balances. As part of the IMF-EFF supported program, a new Public Financial Management Act is envisaged to be enacted to define the responsibilities of the various spending agencies and establish accountability and information requirements. Similarly, introducing performance-based accountability and public disclosures, along with strengthening audit functions, will promote transparency, credibility, and good governance. The introduction of anti-corruption legislation aligned with the United Nations Convention against Corruption (UNCAC), envisaged to be introduced as a part of the IMF-EFF programme, will augur well for the country. This is particularly relevant given Sri Lanka's position in the Corruption Perceptions Index (CPI) 2022, where it was ranked 101 out of 180 countries, indicating a high level of perceived corruption; this will also be central in gaining public support for fiscal consolidation measures and ensuring the overall sustainability and discipline of the fiscal sector.

Given the contractionary and non-populist nature of the policy reform measures, it is vital to ensure that these measures continue to be in place and sustained over a period of time. An economic crisis of this proportion is a catalyst for a major economic overhaul for the country and presents a significant opportunity to re-set and re-rate some of the country's fundamentals.

Whilst monetary and fiscal tightening measures may limit the growth of private sector credit, curbing demand side pressures on inflation, improved availability of fertilisers, commodities and fuel coupled with improvements in global supply chains will help alleviate supply-related limitations. A potential strengthening of the Sri Lankan Rupee may contribute to reducing price pressures in the short-term, although the Central Bank is likely to focus on building its external reserves position. Against this backdrop, inflationary pressures on the economy are likely to ease gradually which will be further supported by the favourable statistical base effect.

Although the necessary macroeconomic adjustments may have a negative impact on growth in the short-term, such difficult reforms will be pivotal in addressing overall imbalances, restoring access to international financial markets, and establishing the basis for sustainable growth. However, although the macroeconomic conditions have improved tremendously, the impact on consumer discretionary spend and overall growth remain uncertain.

Looking beyond these short-term challenges, with the appropriate policy response, the economy is envisaged to gather growth momentum in the medium-term. Hence, the underlying prospects for the economy are positive with growth expected to be driven by higher exports, expansion of the services sectors and the potential for higher foreign inflows. The revival of the tourism sector will also be a key catalyst of economic growth, particularly in the context of the positive impact it will have on foreign exchange earnings. Tourism is an area where Sri Lanka can capitalise on within a short period of time, particularly given the proximity to significant tourism source markets such as India.

The Group has always primarily engaged with the policymakers and the country's leadership through the respective committees of the Chamber and various forums and will continue to do so, ensuring that engagement is managed in the overall interests of the economy and the business environment as opposed to the interests of a single company.

Despite the short-term challenges as outlined above, the Group remains confident that Sri Lanka's growth prospects in the medium to long-term remain positive, as outlined in the ensuing Industry Group Strategy and Outlook section.

GROUP OUTLOOK

The recent developments on the economic front in the country, including the implementation of certain much needed reforms, the rolling-out of policy initiatives and the successful securing of the Extended Fund Facility (IMF-EFF) arrangement with the International Monetary Fund (IMF), has created a solid foundation for the country to recover and has enabled a more normal operating environment.

Pressure on margins that was evident in 2022/23 due to elevated inflation is envisaged to ease gradually, as witnessed across most businesses in the fourth quarter. In any event, inflation is likely to decelerate on the back of a notable base effect, as well as a decline in global commodity prices, gradual easing of the country's foreign exchange liquidity position and improved product availability, amongst others. Businesses will continue to take all necessary measures, including cost and portfolio optimisation strategies, to mitigate impacts stemming from inflationary pressures to the extent possible.

On the external sector, although challenges pertaining to the sovereign credit rating and related financial constraints in the country, persist, to an extent, the severe pressures on the domestic business environment as a result of the external financing and liquidity pressures have now substantially eased. It is encouraging to note that the operating environment has normalised with adequate foreign exchange liquidity in the market with Group businesses carrying out business as usual. This position is envisaged to improve from this base; the Group will continue to assess the market, and consciously optimise the funding position in line with the Group's funding strategy, including converting USD cash holdings in the open market to hold Rupees as done in the past, if the need arises. Improvements in market sentiment coupled with improving liquidity is expected to aid in the stabilisation of the exchange rate and, importantly, enable the CBSL to build its foreign currency reserves position.

The Group is committed to actively contributing and assuming a proactive stance in shaping and propelling the nation's economic revival.

INSIGHTS

Managing the Group's foreign currency exposure

Managing the Group's exposure to foreign currency fluctuations is of utmost priority. Although the Rupee witnessed a steep depreciation in March 2022 due to the previously pegged exchange rate not being reflective of market rates, the Rupee has now stabilised and appreciated by ~10% as a result of fiscal and monetary policy measures. Movements of the exchange rate have the following implications on the Group's financial position, if not optimally managed.

- Gross debt will record a movement, primarily given the translation impact on the USD 175 million long-term loan facility at the Holding Company and the USD 225 million long-term loan facility at Waterfront Properties (Private) Limited.
- Any translation impact on the USD 175 million long-term loan facility is negated at a net debt level as the Holding Company maintains a net foreign currency cash position as of the date of the Report. Any exchange impact stemming from foreign currency cash holdings, if applicable, is likely to be immaterial as there would be a corresponding liability offsetting such impacts.
- The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown of the long-term loan facility from the International Finance Corporation (IFC), the private placement of ordinary shares to the Asian Development Bank as well as the convertible debentures to HWIC Asia Fund.
- At a Group level, the translation risk is also largely hedged 'naturally' as a result of the conscious strategy of matching liabilities against foreign currency denominated assets and revenue streams, to the extent possible.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars. Accordingly, the risk is largely hedged 'naturally' given the expectation of foreign currency linked revenue streams.
- The Group will continue to manage its foreign currency portfolio and investment pipeline optimally, by matching liabilities against corresponding assets, where possible, particularly given the ongoing constraints in the domestic foreign currency markets.

The impact and outlook on consumer spend as a consequence of the fiscal and monetary tightening measures, including higher taxation, and elevated inflation are somewhat uncertain at this juncture in time. However, the decline in consumer spending as witnessed in the fourth quarter, may continue to the first half of the ensuing year given the multiple impacts on consumer incomes and costs. It is pertinent to note that the degree of impact of macroeconomic fundamentals on businesses will be divergent. The impact on businesses such as Supermarkets, where consumer baskets comprise of household necessities, personal care and other household items, is more insulated in comparison to an industry group such as Consumer Foods which comprise of more discretionary items, albeit low value items. As such, for greater clarity, the outlook for the macroeconomy and implications from the current environment on each of the industry groups is discussed in detail in the ensuing section.

Whilst interest rates have declined quite materially, the interest rate environment is still elevated compared with 12 months ago. This will continue to exert pressure on Group businesses in the near-term as a result of increasing funding costs. It is pertinent to note that interest rates may ease in the future once there is clarity on the domestic debt restructure, as the risk premia currently attached to domestic debt as a result of this uncertainty will fall away. The Group had mitigated the risk of increasing LKR interest rates, to an extent, as it had previously moved a sizeable portion of its short-term facilities into long-term facilities, prior to the sharp upward movement in interest rates.

A majority of such facilities were obtained at the time on a fixed/capped rate basis. The Group will continue to place emphasis on the yield curve and rate expectations when entering into new facilities, with the aim of optimising the funding costs of the Group.

Global interest rates are likely to edge up on the back of escalating inflation worldwide, with most major Central Banks adopting contractionary monetary policy measures. This will have implications on the Group's foreign currency borrowing portfolio, and the costs of funds therein; however, it is noted that interest rate swap agreements are in place for a sizeable portion of the facilities with the aim of mitigating the Group's exposure to rate fluctuations.

In March 2021, the Financial Conduct Authority (FCA), the regulatory body overseeing the London Interbank Offered Rate (LIBOR), officially confirmed that the cessation date for LIBOR settings related to all major currencies and two settings for USD would no longer be considered representative after December 2021, whilst the remaining LIBOR settings for USD would cease after June 2023. Accordingly, all LIBOR linked loans and instruments of the Group will be transitioned to identified benchmark rates based on the Secured Overnight Financing Rate (SOFR) during the ensuing year.

Looking towards the medium to long-term, growth in consumption and trade in this region, including Sri Lanka, is expected to pick-up supported by strong under-penetration in many industries the Group operates in, as well as the underlying fundamentals of such industries.

The Group is committed to actively contributing and assuming a proactive stance in shaping and propelling the nation's economic revival, and is poised to leverage on ground-breaking transformative projects, namely the 'Cinnamon Life Integrated Resort' and the West Container Terminal in the Port of Colombo, which are slated to commence operations by end CY2024. The intersection of an economic resurgence and the realisation of the Group's landmark transformative projects is envisaged to generate significant prospects for both the country and the Group, result in a 're-rating' of the Group's performance and investment thesis.

OUTLOOK

Initiatives Aimed at Managing the Group Cash and Liquidity Position

The Group will continue to evaluate its resilience under various stress-tested scenarios, as well as continue to follow the various processes, frameworks and measures undertaken in the previous years to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. The need for such scrutiny is more pronounced, given the close integration between the economy and its impact on operations. Accordingly, Group businesses will continue to:

- Use weekly dashboards, which cover financial and non-financial key performance indicators (KPIs), including monitoring of weekly cash and collections targets.
- Leverage on 'cash war rooms' and 'spend control towers' to critically review each and every spend item, prioritise payments, and impose clear reporting metrics.
- Effect stringent expense control measures, subject to further review depending on the macro and operating environment.
- Re-evaluate the need for capital expenditure plans at this juncture in time and defer such investments as needed to coincide with the recovery trajectory to ensure sustainable returns to all stakeholders.

While the current liquidity position of the Group is sufficient to manage current and future commitments as planned, the Group will continue to take proactive steps with the view of maintaining a strong balance sheet, particularly considering the volatile macroeconomic environment and continued uncertainty.

Capital Expenditure

Despite the challenging and unprecedented years, the Group has carried out significant investments which have continued steadfastly, maintaining the depth and breadth of the Group's long-term investment strategy which is now coming to fruition. The investments in recent years have focused on a refurbished portfolio of Leisure properties and the acquisition of a long-term lease on a new hotel in the Maldives. The Group has also doubled its store footprint in the Supermarket business to over 130 outlets and capacity and capability investments in the Frozen Confectionery and Insurance businesses.

The Group is confident of its ability to fund projects, if feasible, and as required, thereby optimising equity returns in the long run.

In addition to the routine maintenance capital expenditure, the key investments the Group will focus on, in the near-term:

- Balance investment towards the completion of 'Cinnamon Life Integrated Resort'
- Investment towards the West Container Terminal (WCT-1) of the Port of Colombo
- Roll-out of the Supermarket outlets
- Completion of 'Cinnamon Red Kandy'

Emphasis on the Group's Advanced Analytics and Transformation Journey

OCTAVE, the Data and Advanced Analytics Centre of Excellence of the Group, has made strong progress and is expected to continue to lay the platform for the Group's advanced analytics transformation journey. The ongoing assessment of the impact to business of these advanced analytics solutions, post roll-out and complete business wide adoption has provided strong evidence that the anticipated benefits that were evident through initial pilot projects can be sustained at scale, with iterations to adapt to a changing operating environment as and when required.

- Supermarket business - The use cases rolled out has positive contributions across core aspects of the business value chain, including improving the efficacy of pricing and promotions, marketing, store operations and supply chain interventions. In alignment with business objectives, the use cases also emphasise on driving sustainable margins while retaining 'value for money', optimising inventory holdings and improving availability, personalising marketing communications and improving the efficiency of store replenishment and staff rostering. Whilst the business will continue to place emphasis on further leveraging on the use cases already implemented, additional use cases aimed at optimising the product mix at stores will also be rolled out going forward.
- Beverage business - The use cases deployed were primarily centred around optimising promotional spend across the modern trade and general trade segments and augmenting the efficiency of the distribution network across several levers. Additional advanced analytics use cases being rolled out in the ensuing period will focus on optimising production planning.
- Several use cases were also piloted with the aim of developing a more holistic understanding of customers within the John Keells Group and the interlinkages of their interactions with the different consumer brands across the Group portfolio. These yielded promising results and further interventions in this regard are planned for the ensuing period.

Independent delivery of these advanced analytics use cases has further institutionalised capability within the Group to sustain a strong advanced analytics practice, which was augmented further with the onboarding of additional senior advanced analytics professionals. OCTAVE will continue to source requisite talent to ensure in-house expertise and will also focus on ramping up the development of 'use cases' independently which is aimed at developing internal capability towards sustaining an advanced analytics practice in the Group.

The Group is of the view that emphasis on environmental, social and governance (ESG) fosters a 360-degree analysis of performance and enables a sustainable business model which can derive and deliver value to all stakeholders.

Continual Advancements on Environmental, Social and Governance (ESG) Aspects

The Group is of the view that emphasis on environmental, social and governance (ESG) fosters a 360-degree analysis of performance and enables a sustainable business model which can derive and deliver value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms.

As a part of the Group's ongoing efforts towards increasing emphasis on ESG aspects, the Group embarked on reformulating its ESG framework in collaboration with an international third-party consulting firm, setting revised Group-wide ESG ambitions and translating such ambitions to ESG related targets. This exercise, which is currently ongoing, is expected to ensure enhanced alignment between the different ESG strategies of the Group's business units, culminating in a holistic ESG strategy and roadmap for the Group.

The Group will stay abreast of developments in the ESG space and continue to integrate ESG elements with business strategy, operations and in reporting. The Group will also continue to leverage on expertise from its partners such as ADB and IFC to further enhance the Group's existing ESG processes and frameworks to reach best in class benchmarks.

Focus on Diversity, Equity and Inclusion

The Group recognises the importance of diversity, equity and inclusion (DE&I) and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, the Group will continue to take steps aimed at providing a working environment where all employees, partners, suppliers and other stakeholders are included, their diversity is embraced and where their contributions are valued. As a part of the Group's DE&I strategy, the Group will continue to focus on:

- Building a diverse workforce for the future through attraction and retention policies aimed at diverse categories of employees.
- Ensuring Group practices enable equitable and meritocratic opportunities to employees for recruitment, development and progression.
- Integrating diversity into talent management strategy, including targeted strategies aimed at specific groups, setting internal goals and targets, and practices to improve flexibility in working arrangements and work-life balance.
- Providing a safe working environment where employees are treated with fairness and respect free from discriminatory, exclusionary and/or harassing behaviours.
- Empowering employees to be themselves by creating a working environment where employees feel that their gender identity, background, sexual orientation, lifestyle and disability, among others, do not affect perceptions of them as professionals or as individuals.
- Building empathy and respect for employees of all backgrounds and providing training and awareness building to tackle sources of conscious or unconscious bias.
- Supporting and developing of a diverse set of business and supply chain partners.

Continued Emphasis on Transparency and Governance

The Group places significant emphasis on its corporate governance framework, with the aim of creating an enabling environment for sustainable growth. A well-grounded corporate governance framework is vital in reducing corruption and also aids in operating in challenging environments characterised by increased involvement from societies, dynamic corporate change, global volatility and shareholder activism. It is also pivotal in ensuring corporate fair-mindedness and creating sustainable value.

Ensuring transparency is a continually evolving journey given progressing regulations, advancements in global best practice and complex stakeholder needs. The Group will continue to stay abreast of internationally accepted best practice and continuously challenge the status quo in this journey of being transparent.

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continuous strengthening of internal controls through a streamlined process that optimises and facilitates process audit information, life cycle management and related processes are expected to eliminate inefficiencies inherent in manual processes, provide a platform based on process enforcement, enable management follow-up based on centrally held data in a compliance repository, identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture and strengthen the Group's ability to prevent and detect fraud.

The Group has also established a process for ad hoc internal audit exercises to be carried out by the Group Business Process Review division, independently, apart from the usual internal and external audits that are carried out.

The deteriorating macroeconomic conditions coupled with the rising costs of living across the past few years have contributed to increased migration. This has presented a notable challenge for the Group, with higher attrition, particularly in the skilled workforce. The Group recognises the importance of talent retention and takes proactive steps to create an enabling environment where employees feel valued, supported, and motivated. Through a combination of competitive benefits, professional development opportunities, a positive corporate culture, and performance management practices, the Group aims to retain the talented workforce and promote value creation. Despite these interventions to retain talent, increased attrition has increased the need for more rigorous training aimed at talent retention, cross functional training and development, and awareness on Group processes and internal controls.

INDUSTRY GROUP STRATEGY AND OUTLOOK

Transportation

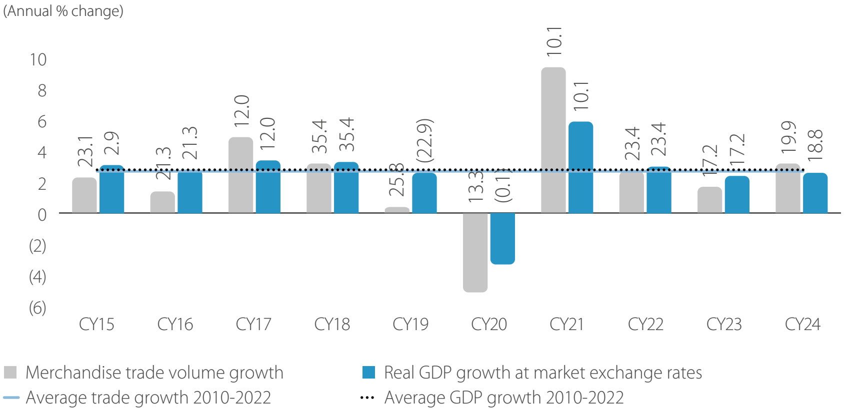
The performance of the Transportation industry group is expected to be insulated from the ongoing macroeconomic circumstances in Sri Lanka given that a majority of its businesses have revenue models primarily driven by offshore markets. Given its direct and indirect exposures to foreign currency denominated income streams, the industry group is envisaged to be a driver of the Group's performance in the immediate-term although in Rupee growth terms it is likely there will be a negative base effect stemming from the appreciation of the Rupee in the current year as against the levels witnessed last year post the steep depreciation of the currency.

Sri Lanka stands to benefit significantly from the improvement in global trade in the medium to long run, supported by economic recovery, increased consumption, and infrastructure investments. This is especially advantageous for the country due to its strategic positioning along crucial shipping routes.

Immediate to Short-Term

The World Trade Organisation (WTO) projects world merchandise trade volume to slow down to 1.7% in CY2023, weighed down by the Russia-Ukraine war, persistent high inflation, increasing interest rates and financial uncertainty. Momentum is envisaged to gather thereafter to 3.2% in CY2024. Downside risks to the forecast include geopolitical tensions, food insecurity, potential instabilities in financial markets, escalating inflation and ballooning levels of debt. Despite the slowdown in the ensuing year, it is encouraging to note that the Asian region is expected to be a key contributor to world trade performance.

World Merchandise Trade Volume and GDP Growth, CY15-CY24
(Annual % change)



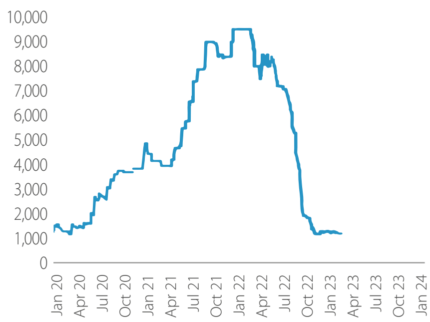
Note: CY23 and CY24 are projections.
Source: WTO for merchandise trade volume and consensus estimates for GDP.

The Ports and Shipping business is envisaged to remain resilient in line with regional trends, although volumes may witness pressure in the next couple of quarters. Domestic import volumes may continue to experience a decline in lieu of reduced imports on the back of a contraction in consumer discretionary spending. The Government's focus on stimulating trade with India through free trade agreements has led to a substantial increase in the volume of cargo being transported to and from India and the surrounding region. South Asia Gateway Terminals (SAGT), given its positioning as a feeder terminal, is strategically placed to capitalise on this opportunity and support the envisaged transshipment cargo flows, to and from India, to large vessels and vice versa. The business will continue to proactively optimise its costs, productivity and inventory, whilst continually engaging with its customers and other stakeholders. The revenue and profit streams of the Ports and Shipping business are largely in foreign currency; should the current appreciating trend of the Rupee continue, this would translate to lower results in Rupee terms, although growth in absolute volumes and the performance in foreign currency is likely cushion the impact.

The Government has conveyed that most port related activities will be outsourced to the private sector in a bid to increase efficacy and any expansions will be pursued through public-private partnerships, particularly in the Port of Colombo.

S&P Global Commodity Insights Freight Rate Forecast (FRF) service projects container freight rates to continue its downward trajectory to average ~USD 1,000 - 2,000 per forty-foot equivalent unit (FEU) in 2023-24 from an average of ~USD 7,000 FEU in 2021-22, and settle at pre-pandemic levels.

Container Freight Rates (Platts)
($/FEU)



Source: S&P Global Commodity Insights Freight Rate Forecast service.

Ongoing challenges from heightened competition in regional markets and the direct influence of Indian ports, are expected to impact bunker volumes in Sri Lanka. Nonetheless, the business is currently actively exploring possibilities to procure oil at more competitive rates, which will aid in strengthening its market position, enhancing competitiveness, and consolidating its presence in the region. Executing strategies aimed at mitigating the market risk stemming from fluctuations in oil prices and exchange rates will remain a priority for the business in the near-term.

The performance of the Transportation industry group is expected to be insulated from the ongoing macroeconomic circumstances in Sri Lanka given that a majority of its businesses have revenue models primarily driven by offshore markets.

While the short-term outlook for the next 6-12 months suggests headwinds for the Logistics business, the gradual removal of import restrictions and the normalisation of export volumes beyond the six-month timeframe are anticipated to result in increased volumes, which will have a positive impact on the business, and the industry as a whole.

The impact on the Airline businesses is envisaged to mirror the challenges and impacts of the Leisure businesses. The increase tourism flows will drive demand and therefore airline frequencies should increase in tandem with this. There are also a few new carriers which have announced new frequencies into the country and this should bode well for more competitive fares and supply.

The industry group is exploring a plethora of opportunities within the transportation vertical with the aim of expanding its footprint in Sri Lanka.

Medium to Long-Term

Ports and Shipping

The recovery of domestic import volumes in line with the envisaged recovery of the domestic economy post the fiscal consolidation process, augmented with growth in regional and global trade in the medium-term, is expected to bode well for the sector. The opportunity to further establish Colombo as a regional transshipment hub has been further strengthened, post the emergence of the pandemic, as shipping lines have demonstrated a preference to have less direct services and adopt a more 'hub and spoke' model. The order book of many of the leading shipping lines focuses on larger container ships, demonstrating their strategy and preference to call at transshipment hubs.

The ongoing investments towards increasing the capacity in the POC through the development of the East Container Terminal (ECT) and West Container Terminal (WCT-1), will bode well for the country, ensuring the competitiveness of the POC in the region – especially in light of increasing capacity enhancements in the Indian ports.

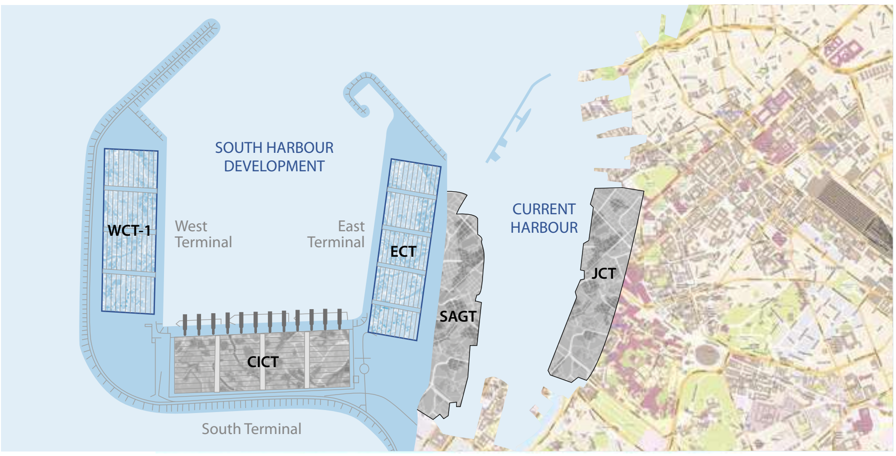
- East Container Terminal – ECT is partially operational on a transitory basis at present. Construction work at the ECT, which recommenced in January 2022, is envisaged to be conducted in three phases and is stated to be completed by CY2024. The ECT extends across 75 hectares and will consist of a total quay length of 1,320 meters, of which 440 meters was constructed in CY2015. Once completed, the SLPA is expected to operate a fully-fledged terminal equipped with 12 shore-to-shore (STS) cranes and 40 automated rail mounted gantry (RMG) cranes.
- West Container Terminal - The build, operate and transfer (BOT) agreement for the development of the West Container Terminal (WCT-1) was signed on 30 September 2021 for a lease period of 35 years between the Sri Lanka Ports Authority (SLPA) and Colombo West International Container Terminal (Private) Limited (CWIT). The development and operation of the WCT-1 was identified as a Strategic Development Project (SDP) with the requisite gazettes being issued on 30 July 2021 and 15 November 2021.

The groundwork on WCT-1 at the Port of Colombo is progressing well with the entirety of the dredging works for both phases near complete. The contract for the quay wall construction, a significant component of the overall construction works, was awarded in October 2022. Overall timelines for the project remain as originally envisaged. The WCT-1, which has a lease period of 35 years, is a deep-water terminal with a quay length of 1,400 meters, an alongside depth of 20 meters and an annual handling capacity of ~3.2 million TEUs. Phase 1 of the terminal, comprising of a quay length of 800 meters as against the previous 600 meters, is slated to be operational by the third quarter of 2024/25. The extension of the quay length in Phase 1 facilitates the servicing of two large vessels concurrently, which will enable a higher throughput once Phase 1 is operational. The remainder of the terminal is expected to be completed by the third quarter of 2025/26.

The total project cost at the launch of the project was envisaged to be ~USD 650 million with a debt to equity mix of ~70:30. The JKH equity commitment is estimated at ~USD 70 million, of which ~USD 18 million has been infused. The residual requirement will be infused into CWIT on a staggered basis over the remaining project construction period.

- SLPA has designated a team of professionals to conduct a feasibility study on the North Port of Colombo and formulate a comprehensive 30-year development strategy for the port. The long-term aspirations of the SLPA are encouraging and expected to spearhead Colombo being established as a leading transshipment hub in the region in terms of scale, providing scope for sustainable growth for the sector.

Colombo South Harbour Development Project



Although the increase in capacity in the POC in the medium-term will result in an impact on volumes for the existing terminal operators in the short-term, as seen with the entry of Colombo International Container Terminals (CICT) in the past, the capacity led growth will ensure demand ramps up significantly, given the factors mentioned previously. This is further validated through the traffic and volume studies conducted for the feasibility of the WCT-1 project. South Asia Gateway Terminals (SAGT) will continue to explore opportunities in line with the overall enhancements to the POC whilst working to improve terminal productivity and efficiency through strategic initiatives and investments. Special emphasis will be placed on consolidating its operations, providing high value-added and integrated services whilst increasing SAGT's share of higher yielding domestic volumes with a view of achieving a more balanced mix of transshipment to domestic volumes, in order to optimise profitability.

The Government has also intimated that they are in discussions with India on the development of the Trincomalee Port, particularly given its potential for cruise tourism.

Bunkering

Prospects for bunkering services is promising in the medium-term, driven by the envisaged increase in regional trade activity and demand generated from ongoing investments in the POC, Southern and Eastern Ports. The Port of Hambantota (POH) is also expected to aid overall growth in volumes given increased capacity and infrastructure in the country. Growth in regional business activity, particularly in the SAARC (South Asian Association for Regional Cooperation) region is also expected to positively impact the business.

The primary challenge for the bunkering market in Sri Lanka was the limited availability of bonded tank space which hampered the destination's regional competitiveness and the ability to meet increasing demand. The availability of bunkering capacity with the operations at the POH having a total capacity of ~60,000 MT and a 3,200 MT storage tank by Jaya Container Terminal (JCT) in 2021/22, in addition to bonded tank space in the POC, enables industry players to import larger parcels of bunker fuel and avail the opportunity to supply bunker fuel at more competitive prices in line with regional ports. Improved competitiveness is expected to drive bunker volumes in the industry. In order to capitalise on this opportunity, the business will continue to focus on further consolidating its own storage and delivery capacity, and procurement processes in line with market conditions.

The performance of the Beverages, Frozen Confectionery and Convenience Foods businesses are expected to face challenges during the ensuing year in lieu of the macroeconomic landscape. However, looking beyond the short-term impacts, the Group remains confident of the underlying fundamentals of the industries the businesses operate in, and envisages strong growth momentum in the medium and long-term.

Although the industry may experience a shift in volumes from the POC to the POH in the short to medium-term, the Group is of the view that an increase in additional tank capacity will aid the overall bunker market, positively impacting both the POC and POH. The business will also continue to explore opportunities at the POH.

The business will also evaluate options of supplying alternate fuels in the long-term in line with the expectations and timelines of the International Maritime Organisation (IMO).

Logistics

The potential for palletised third-party logistics (3PL) remains promising in the medium to long-term with growth expected primarily from inbound project cargo operations, fast-moving consumer goods (FMCG) and export industries. The anticipated growth in regional and domestic trading activity, stemming from global economic recovery and ongoing infrastructure developments in the country, indicate significant potential for increasing integration into global supply chains and the positioning of Sri Lanka as a global trading hub. John Keells Logistics (Private) Limited (JKLL) will endeavour to optimise cost and drive operational efficiencies, particularly through emphasis on digitisation initiatives. 3PL customers are increasingly seeking end-to-end solutions and, in this regard, every effort will be made to ensure a complete service offering.

Airlines

Increased trading activity and investment towards uplifting the tourism industry, as discussed in detail in the Leisure section of this write-up, coupled with convenience of faster connectivity between cities and Sri Lanka's growing popularity as a tourist hotspot, are expected to contribute towards improved performance of the Airline segment in the medium to-long-term.

Consumer Foods

The performance of the Beverages, Frozen Confectionery and Convenience Foods businesses are expected to face challenges during the ensuing year in lieu of the macroeconomic landscape as outlined in the following section. However, looking beyond the short-term impacts, the Group remains confident of the underlying fundamentals of the industries the businesses operate in, and envisages strong growth momentum in the medium and long-term.

Immediate to Short-Term

Consumer discretionary spending is likely to continue to moderate in the short-term on the back of a reduction in disposable income, which is envisaged to hamper growth in demand for non-essential items. As noted, although the domestic macroeconomic and supply chain conditions recorded substantial improvements during the second half of the year under review, with day-to-day business activity reverting to levels of normalcy, consumer demand began to subdue on account of the impact on disposable incomes due to direct and indirect taxation and other policy measures being implemented, which impacted the volumes of the businesses. However, it is encouraging to note that the volumes of the Beverages business witnessed a pick-up in the month of April 2023, although it is too early to ascertain whether this trend would continue. Whilst a potential decline in demand may create short-term challenges for the businesses, particularly in the first half of the ensuing year, improvements in the macroeconomic front and a resumption of consumer confidence may cushion the impact of reducing demand.

The decrease in global commodity prices from their peak levels, lower freight costs, a turnaround in the country's foreign exchange liquidity, appreciation of the Rupee, and improved availability of raw materials are likely to benefit Group businesses by alleviating margin pressures. The inventory purchased at higher costs has mostly been depleted, and the gradual reduction in interest rates and normalisation of working capital will further support profitability. It is worth noting that businesses have already started experiencing a gradual easing of margin pressure post the conclusion of 2022/23. While margins at a product level are anticipated to recover, the impact of lower dilution of fixed costs due to reduced operating leverage on account of volume declines is yet to be fully seen.

EBITDA Margin
(%)

It is encouraging to note that the operating environment has normalised with adequate foreign exchange liquidity in the market, where banks have reverted to extending trade facilities, which were temporarily halted previously, while supply chains and raw material availability have reverted to previous levels. Accordingly, the business is currently not holding excess stocks as a risk mitigation against supply chain disruptions. Furthermore, this is expected to reduce working capital costs, with additional relief in the event of a further tapering of interest rates as outlined above.

Whilst acknowledging the positive headway made in recent months, given that it is premature to ascertain how demand will materialise, capacity enhancements will be evaluated in line with business growth in the current year and the evolution of the portfolio of products.

In the current backdrop, managing stakeholder concerns remains pivotal and a key challenge to Group businesses. The businesses will continue to strengthen its ties with all stakeholders. Emphasis will also be placed on maintaining rigorous engagement with its suppliers and distributors to ensure a seamless supply chain, strengthening the procurement process, better management of the working capital cycle and reduced credit risk exposure, while further streamlining the distributor network to ensure greater stability and consistency for the future. Proactively assisting employees in line with Group policies and direction will also be a priority.

As outlined above, cashflow and cost management initiatives will remain a priority throughout the ensuing year.

The businesses will continue to monitor the use cases on advanced data analytics which have already been rolled out; such as the use cases in the Beverages business which are aimed at optimising promotional spend across modern trade and general trade segments and augmenting the efficiency of the distribution network of the business across several levers. The industry group will focus on rolling out other advanced analytics use cases in the ensuing period which will attempt to optimise production planning, further augmenting the businesses positioning for long-term sustainable growth.

In tandem with the trends witnessed towards the latter end of the year under review, smaller pack sizes and the continued expansion of the Impulse range, particularly given its lower price point, are expected to continue its growth, resulting in a higher share of the volume mix. The business will continue to focus on re-inventing its portfolio of products as well as packaging to manage costs while offering enhanced value to its consumer base.

With regard to the Beverages business, the continued shift from glass bottles to PET driven by consumer convenience and preferences will need to be monitored closely, particularly since glass offers greater value for money to consumers which could be a focal point considering current market conditions. Although the subdued performance of the hotels, restaurants, and catering (HORECA) channel is expected to continue in the short-term, this is expected to gradually recover in tandem with tourism recovery.

Key Downside Risks:

- Lacklustre growth in consumer demand for a prolonged period
- Supply chain disruptions with persistent inflation, globally and domestically
- Abrupt ban of PET (polyethylene terephthalate) bottles and other plastic materials

Medium to Long-Term

Despite the varying short-term impacts on demand and business performance on account of the challenging landscape, domestic demand conditions are envisaged to remain resilient and rebound in the medium-term in tandem with a revival of the economy and improvement in consumer confidence post the fiscal consolidation process.

The penetration of consumer food products in Sri Lanka continues to be relatively low in comparison to global and regional peers, demonstrating the significant potential in these industries. Given the higher penetration within urban areas, the Group expects growth from the outskirts of the country to be a substantial driver of medium to long-term growth, despite the lower base. The industry group will capitalise on this opportunity by investing in its supply chain and augmenting its portfolio of offerings in line with evolving trends.

The business will continue to invest on its digitisation strategy in the medium to long-term as well, particularly in furtherance of the Group's advanced analytics transformation journey through data-driven decision-making to garner insights, which is expected to optimise production practices, deliver productivity and cost savings, and identify growth opportunities. Diversity, equity and inclusion will also be a key thrust area for the industry group.

The introduction of concepts such as extended producer responsibility (EPR), with the aim of managing waste and increasing recycling rates, if implemented gradually with proper communication and engagement with the affected industries, will aid the industry in converting its business models into sustainable practices.

OUTLOOK

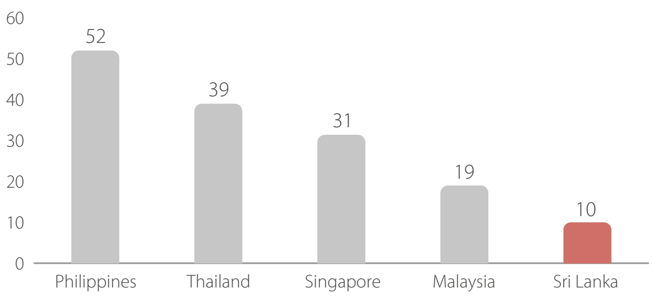
Beverages

The business will continue to focus on developing its portfolio in line with evolving market trends, where consumers place increased emphasis on healthy and sustainable products, which are further augmented with evolving regulations and restrictions surrounding calorific sugar content in beverages. Accordingly, the share of carbonated soft drinks (CSD) as a proportion of total beverages is envisaged to proportionately diminish in the long-term in line with the trends witnessed in recent years. However, the prospects for the beverage industry continue to be promising and provide opportunities for growth as these health and eco-conscious consumers seek alternate beverage options.

Similar trends are witnessed globally, where CSD manufacturers worldwide continue to engage in reformulation exercises with the aim of reducing the sugar content of their products and adopting sustainable packaging, whilst extending the portfolios to include non-CSD beverages which are healthier and more nutritious. To this end, the Beverage business has already reformulated its flagship flavours with ~30% – 45% of the CSD portfolio's calorific sugar content reformulated and replaced with stevia; a natural sweetener with zero calories.

Low consumption patterns and penetration reflects potential for growth in the CSD market

Carbonated soft drinks - per capita consumption (litres)



Source: Company analysis

Per capita packaged beverage consumption in Sri Lanka is well below regional and global averages highlighting the growth potential for the beverage market in the country. As a leading player in the beverages market, the Beverages business will leverage on its strong brand equity and distribution network to capitalise on this opportunity through a continuing pipeline of products, as introduced over the recent years, catering to the dynamic lifestyles of consumers. Given evolving regulations surrounding single use plastics and interest towards environmentally friendly packaging, continual emphasis will also be placed on exploring alternate forms of packaging, where feasible.

Given changing market dynamics, the Beverages business in the medium-term will:

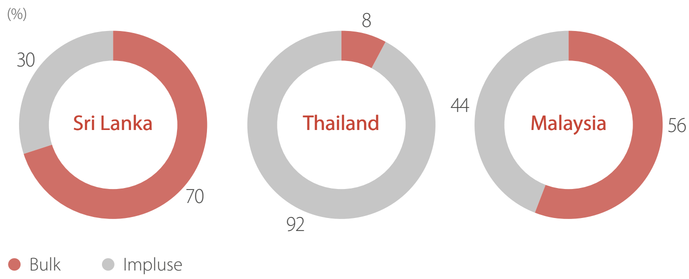
- Focus on consolidating its current CSD portfolio and discontinuing non-performing stock keeping units (SKUs).
- Prioritise the extension of the current non-CSD range, based on market opportunity.
- Manage the composition of the portfolio to ensure optimum margins.
- Consolidate and stabilise distributor networks whilst improving sales force efficiency through digital means.
- Explore new operating models, different marketing channels and alternate methods of working, given changing consumer behaviour and digitisation trends.
- Implement lean initiatives at factories.

Frozen Confectionery

The global frozen confectionery markets have experienced significant growth in recent years, barring the impacts of the pandemic, driven by rapid urbanisation, rising disposable income, and evolving lifestyle trends. The overall prospects for the frozen confectionery markets in Sri Lanka remain positive given the industry's resilience, even amidst challenging conditions. This positive trend is expected to persist going forward, notwithstanding the short-term impacts previously discussed.

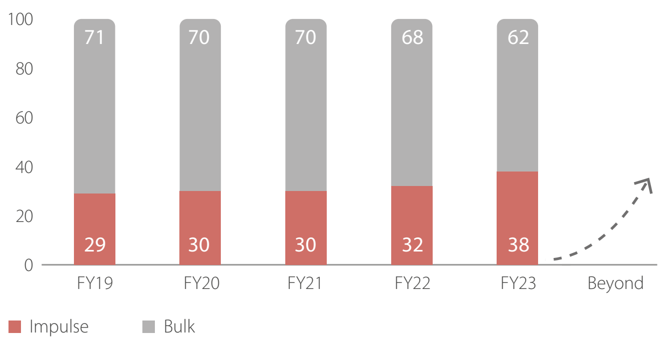
Ice cream consumption in Sri Lanka at ~3 litres per capita is well below global averages, demonstrating the significant potential for growth in this market. In line with global and regional peers, the business expects a gradual shift in the bulk to impulse mix towards impulse products, with impulse products being the primary driver of the envisaged increase in per capita ice cream consumption in Sri Lanka. The business will continue to invest in expanding its distribution reach in an optimal manner.

The bulk:impulse mix of regional markets is highly tilted towards the impulse market, demonstrating the significant potential for the impulse category in the overall ice cream market of Sri Lanka



Bulk:Impulse Volume Mix of the Frozen Confectionery Business

(%)



The Frozen Confectionery business envisages a similar trend for its portfolio in the long-term, in line with the aforementioned overall market tilt towards impulse products. As witnessed in recent years, the state-of-the-art facility in Seethawaka will continue to play a pivotal role in catering to this growth trajectory. Whilst this contribution is limited to the Impulse segment at present, this is also expected to extend to the Bulk segment in the long-run. This facility continues to perform as envisaged, aiding innovative new product development, increased operational efficiencies and better margins.

The strategic priorities of the Frozen Confectionery business for the short to medium-term are:

- Focus on consolidating its current Frozen Confectionery portfolio, including the expansion of the 'Wellness' range.
- Emphasis on digitisation and process improvements.
- Explore new operating models, alternative distribution channels and alternate methods of working.
- Investments in its supply chain.
- Implementation of lean initiatives at factories.

Convenience Foods

The Convenience Foods business will continue to innovate and expand on its portfolio offering. Similar to the Beverages and Frozen Confectionery businesses, the Convenience Foods business will also place emphasis on staying abreast of market trends and delivering products in line with consumer preferences.

The strategic priorities for the business for the medium-term are:

- Development of product extensions, paving the way for the business to increase its market share, particularly through emphasis on 'convenient' and affordable meal options.
- Focus on consolidating the dry distribution network and sales force to ensure readiness to cater to the envisaged growth in volumes.
- Emphasis on growing the modern and general trade channels, particularly the organised small and medium entities under general trade thereby increasing footprint.
- Focus on further augmenting its portfolio offering.

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

Retail

The performance of the Supermarket business is envisaged to remain insulated, to a large extent, despite the ongoing macroeconomic challenges, considering that essential and regular grocery and household items constitute a large portion of a consumer basket. While the financial crisis has resulted in a dampening of consumer discretionary spending, the combination of rising inflation and the continued demand for essential items is anticipated to support the growth of the business, similar to the trends observed in the past few quarters.

The performance of the Office Automation business is envisaged to gradually recover in tandem with the stabilisation of the economy.

Immediate to Short-Term

Supermarkets

The Supermarket business anticipates sustained consumer spend given the nature of the business, as consumer baskets primarily consist of essential goods, personal care products, and everyday household items. Although there has been a decrease in demand for certain items as a result of the impact on consumer spending and price sensitivity, particularly for non-essential and luxury products, this is likely to be balanced by shifts in consumer preferences towards more affordable alternatives within their shopping baskets in line with trends witnessed in 2022/23.

The Supermarket business witnessed a sustained increase in footfall during the year under review, despite the challenging operating environment demonstrating the continued potential for higher penetration in certain customer segments. The conversion from general trade to modern trade is also envisaged to continue, given the ability of modern trade outlets to ensure better availability and less disruptions through the better management of its inventory and working capital. The ability to pass on benefits to customers stemming from economies of scale is also a key catalyst for growth in modern trade.

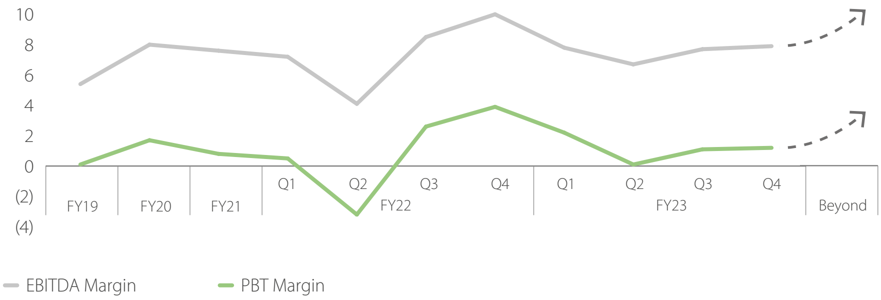
Challenges in sourcing products due to supply chain disruptions, which affected all manufacturers and importers of goods, have eased notably since last year which has contributed to improved availability. The state-of-the-art distribution centre commissioned in 2021/22, where the entire dry product and fresh range was centralised together with other best in class practices being adopted, was pivotal in managing the supply chain disruptions and ensuring the outlets were supplied in the most optimum and efficient manner. In terms of food production and prices, current signs indicate that the lagged effect of fertiliser shortages, which materialised as a result of the ban imposed by the Government on the importation of agrochemicals in April 2021, has largely subsided leading to a recovery in crop yields. This, coupled with decreasing fuel prices and easing inflationary pressures, is envisaged to aid the business in the short-term on the supply chain related aspects.

The direct import strategy, executed in 2021/22, was primarily aimed at addressing the shortages in essential goods and other fast-moving items. Although the operating environment has significantly improved resulting in a reduction in gaps, the Supermarket business will continue to leverage on its direct import strategy with the aim of providing its customer products at the best possible value, with consistent supply, thereby also aiding footfall to outlets. Whilst the business has increased its private label range successfully during the year under review, the private label range continued to be below the peak number of stock keeping units (SKUs) witnessed prior to the pandemic and supply chain disruptions; emphasis will be placed on increasing its private label range, with the aim of providing its customers with better choice and 'value for money', both of which are important decision drivers for consumers, particularly at this juncture.

Escalating domestic inflation compelled most suppliers to undertake price increases in 2022/23 which contributed to an increase in top line, as discussed under the Financial and Manufactured Capital Review, although this translated to a minimal impact at a profitability level given a corresponding increase in the cost base in lieu of inflation; margins remained resilient. The expected reduction in inflationary pressures and interest rates is expected to gradually improve margins for the business, as seen in recent quarters.

OUTLOOK

Supermarkets Margins
(%)



Given the increase in construction costs, the business will carefully evaluate and monitor the expansion of its outlet footprint in the short-term to ensure that expected returns are achieved, considering the increased investment required for each outlet. While the investment per outlet has seen a significant increase, the business has also experienced substantial revenue growth, which will have a positive influence on the feasibility studies conducted for potential new outlets in furtherance of its selective expansion strategy. The business will also continue to identify more mature stores of its footprint, which has the ability to scale up with an expanded offering.

The distribution centre is envisaged to significantly contribute to process and operational efficiencies, enabling better visibility of the supply chain and reducing stock holding costs.

The business remains committed to prioritising the betterment of its employees, suppliers and customers, and will continue to take necessary actions and interventions as needed. Transparent communication with customers and active engagement with suppliers and other stakeholders will be maintained to ensure a continually functioning supply chain. Emphasis will also be placed on cost optimisation and working capital management, although the pressure on working capital is expected to improve during the short-term.

Office Automation

The performance of the Office Automation business is envisaged to gradually improve in tandem with the improvement in economic conditions. Although challenges in the foreign currency market have largely ceased, creating headroom for growth on the supply side, a contraction in consumer discretionary spending may have implications on the demand for mobile phones and office automation products.

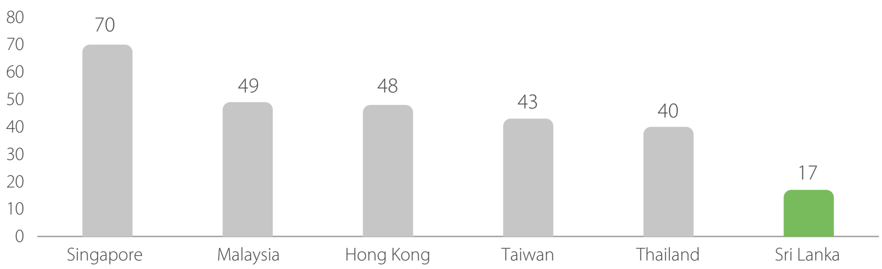
Medium to Long-Term

Supermarkets

The prospects for the modern trade industry in Sri Lanka remains promising, given the low penetration of modern trade outlets in the country, growth expectations for consumer demand and the steady conversion from general trade to modern trade driven by demand for better quality, convenience and 'value for money' by consumers. The Supermarket business is uniquely positioned to capitalise on this opportunity by leveraging on its high brand equity.

Prospects for the modern trade industry in Sri Lanka is promising, given the low penetration of modern trade outlets in the country.

Modern Retail Penetration
(%)



Source: Company analysis

INSIGHTS

The Supermarket business leverages on a standard and an extended 'iconic' format depending on the maturity of the market. The concept of the extended 'iconic' format for select 'Keells' outlets, is aimed at enhancing the overall customer experience through best-in-class retail technological solutions and a wider offering.

The selection of an extended 'iconic' format for outlets typically depends on the level of development in a particular area. In most cases, businesses identify existing outlets that can expand their offerings to accommodate a larger range of products and services. However, there are occasional situations where an outlet with an extended 'iconic' format is opened immediately, without first having an existing outlet to build upon.

Technological offerings:

- 'Scan & Go' technology
- Self-checkout capability
- Digital automated price tags
- Self-weighing scale
- Self-ordering kiosks for food

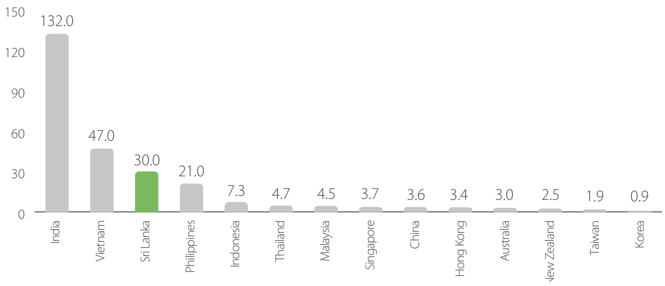
Food and beverage offerings:

- 'Kafe' serving coffee, snacks and other beverages
- Chef's counter serving
- Ready-to-eat meals
- Make your own pizza counter

It is pertinent to note that despite the additional investment associated with the conversion of the standard format outlet to the extended 'iconic' format, the payback on these investments based on incremental performance is attractive.

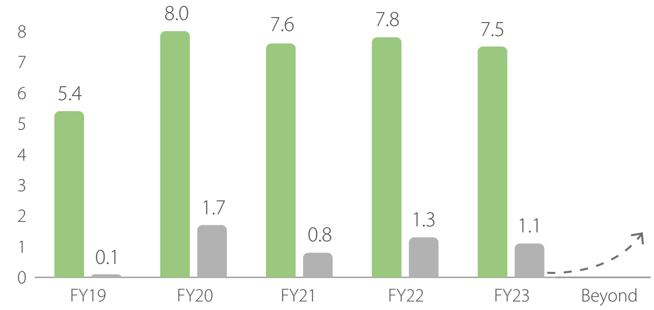
Given the increase in construction costs, the business will carefully evaluate and monitor the expansion of its outlet footprint in the short-term to ensure that expected returns are achieved, considering the increased investment required for each outlet.

Modern Trade Density
Population ('000) per store



Source: Retail and shopper trends in the Asia Pacific, AC Nielsen

Margins of the Supermarket Business
(%)



The Supermarket business will continue to place emphasis on differentiating the shopping experience for its customers through its 'fresh' promise, service excellence and quality within five activity pillars; product, price, place, people and the customer. The business will also focus on continually expanding its footprint to capitalise on the envisaged growth of the modern trade industry given its low density and penetration levels. 'Brick and mortar' stores are expected to be the key driver of growth going forward for the foreseeable future, although online sales will increase its contribution over the years. Consumer behaviour suggests an inclination to shop at physical stores.

In this light, the business will continue the expansion of its geographical footprint in the medium-term, both in urban and suburban areas, timing such expansion plans based on the macroeconomic landscape and the maturity of these markets. In addition to its standard store format, the business will also grow the extended store format in pursuing its expansion plans for select areas, to optimise capital expenditure and operational costs, until such time these earmarked markets mature by which time the store can be expanded from a standard format to a more extended format. The key challenges faced during expansion include securing lease of land plots in prime locations which are in conformity with brand specifications. The business will continue to focus on retaining its labour force by augmenting its recruitment processes, empowering these individuals and focusing on the employer brand.

The DC in Kerawalapitiya will augment the business's expansion, particularly given its ability to cater to the number of outlets well beyond the medium-term. As outlined above, the operation of the new DC is expected to result in significant supply chain efficiencies, particularly given the centralisation of almost the entirety of the dry and fresh range of the current modern trade offering. Additionally, the DC is expected to enhance supply chain visibility, leading to further improvements in operations.

Given the significant roll-out of outlets in the past few years, profitability and margins of the Supermarket business were impacted by the funding costs associated with such investment and also the lower relative contribution considering the ramp up period of new outlets. EBITDA margins of new outlets are comparatively lower than mature outlets, given that new outlets typically take 12-16 months to ramp up to normalised operational levels. Whilst the impact of new outlets was more pronounced at the outset, since the outlet count has doubled over a period of three years, as evident during non-pandemic affected periods of operations, the business has seen the normalisation of the impact of new outlet expansion since the base of existing outlets are now proportionately much higher relative to the expansion envisaged.

Continued emphasis will also be placed on higher private label penetration in order to enhance customer choice and drive margins.

The business will continue with the development and implementation of advanced analytics 'use cases' in order to foster data-driven decision-making. The preliminary results of the 'use cases' already rolled-out, focusing on aspects such as promotion effectiveness, range optimisation, and marketing outreach, are promising and expected to meaningfully contribute towards enhanced performance and driving customer intimacy through a deeper understanding of customer requirements.

Office Automation

Looking beyond the short-term challenges, John Keells Office Automation (JKOA) remains confident of the underlying demand for office automation solutions and smart mobile phones which is expected to be driven by increasing commercial activity within the country and an improvement in business sentiment. As evident from the results prior to Sri Lanka's external financing crisis, the business has the potential to grow significantly on the back of rapid urbanisation. The Government's initiatives aimed at transforming Colombo as a financial hub will also augur well for the business.

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. The business will also leverage on its brand equity to ensure a continued supply of mobile phones into the market at varying price points, aimed at different market segments, thereby strengthening its position in the mobile phone market. The business will place emphasis on improving productivity and efficiency in its sales and aftercare operations to ensure high quality customer service. To this end, focus will also be placed on a range of initiatives aimed at digitising the supply chain to consolidate its operations and improve productivity.

The business will continue with the development and implementation of advanced analytics 'use cases' in order to foster data-driven decision-making.

OUTLOOK

Leisure

In terms of fostering economic growth in Sri Lanka, the tourism industry demonstrates ample potential to place the country as a tourism hub in the South Asian region, given its geographical diversity, rich cultural heritage and proximity to two of the largest outbound travel markets in the World, India and China. Considering the strategic reasons mentioned before, improving tourism inflows and receipts to the country is a relatively easier task and a 'quick win' which will result in material economic benefits. Tourism will be a key catalyst to drive the recovery of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings.

Unfortunately, the tourism industry in Sri Lanka has undergone unprecedented challenges across four consecutive years since the Easter Sunday terror attacks in April 2019, the subsequent global and local outbreak of the Covid-19 pandemic, and thereafter the macroeconomic crisis, which has exerted significant pressure on performance.

Sri Lanka recorded over 770,323 tourist arrivals for 2022/23, with March 2023 recording the highest number of arrivals since the peak of the economic crisis. The industry is envisaged to sustain this growth momentum on the back of accommodative travel policies and competitiveness as a destination in terms of the diverse and unique nature of offerings, as well as pricing, particularly, given the recent steep depreciation of the local currency. Against this backdrop, the Group remains confident that the prospects for tourism remain extremely positive given the unique and diverse offering and the potential for regional tourism.

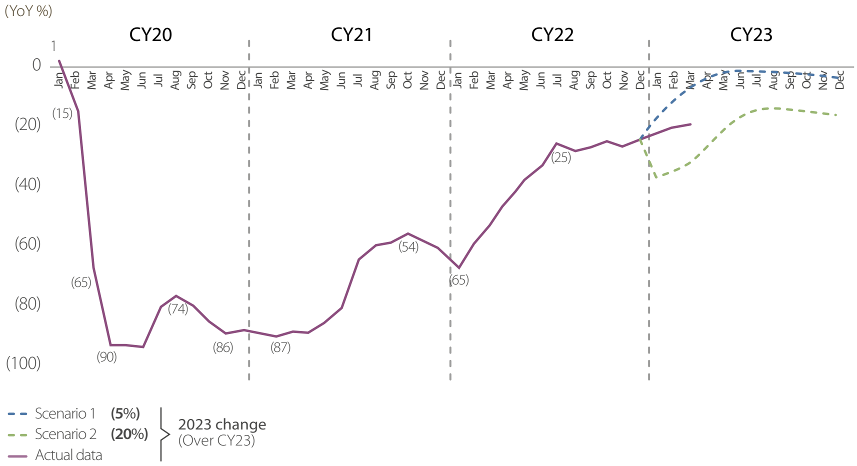
Immediate to Short-Term

Global Tourism

The United Nations World Tourism Organisation (UNWTO) projects the outlook for tourism based on two scenarios, as morefully detailed in the ensuing section. UNWTO forecasts international tourist arrivals for CY2023 to range between 80% to 95% of pre-pandemic levels. Similarly, the World Travel and Tourism Council (WTTC) estimates the sector to close in on its all-time high in CY2019, by recovering by more than 95%.

Monthly international tourist arrivals in CY2020, and UNWTO projections for CY2022

(YoY %)

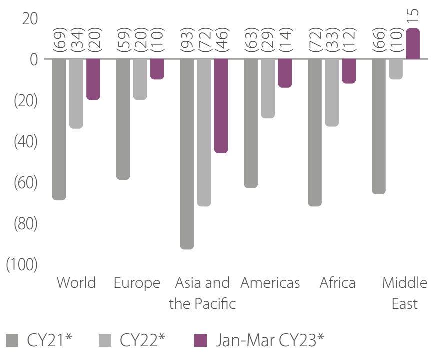


Source: UNWTO World Tourism Barometer January 2022.

The UNWTO estimates that international tourist arrivals reached ~80% of pre-pandemic levels in the first quarter of CY2023, with an 86% growth in international tourism.

International Tourist Arrivals (vs. pre-pandemic levels)

(%)



Potential headwinds to the outlook primarily stem from the global economy, including persistent high inflation and the resultant contractionary monetary and fiscal policy measures and the Russia-Ukraine conflict. UNWTO anticipates tourists to prioritise value for money and opt for travel destinations closer to their home countries this year, given the challenging economic circumstances globally.

The notable increase in airfares in comparison to pre-pandemic rates, has exerted additional pressure on the travel and hospital industry. However, the strong 'pent-up' demand for travel and tourism that is continuing, sustained recovery of air connectivity, recent reopening of China and other major Asian markets and destinations, coupled with improved sentiment, is envisaged to offset these impacts.

Sri Lanka

Sri Lanka is envisaged to recover from the socio-economic crisis on the back of the many difficult, yet necessary, corrective measures that were undertaken and also proposed for implementation to stabilise and revive the economy.

The tourism industry recorded an encouraging uptick in tourist arrivals, in tandem with the gradual improvement in macroeconomic conditions from the fourth quarter of 2022/23, and the resultant relaxation of travel advisories; in March 2023, Sri Lanka recorded the highest number of arrivals since the peak of the economic crisis. The Sri Lanka Tourism Development Authority aims to attract 2 million visitors in CY2023. Although arrivals are still significantly below pre-pandemic levels, it is encouraging to witness the month-on-month pick-up in inquiries and forward bookings. The recovery trend in arrivals is expected to continue with growth across all major source markets. The strong economic growth in India and the resultant increase in travel in India is a significant opportunity for Sri Lanka, particularly considering the proximity to key Indian cities. Further, the opening of the Chinese borders for international travel in January 2023 after a period of three years and the increase in frequencies of flights by a few major airlines is envisaged to augur well for the destination.

While the current situation on the ground has reverted to normal, the negative perception and lack of awareness, especially in our key source markets, continues to be a challenge in accelerating the recovery momentum in tourist arrivals. Tourism will be a key catalyst in driving the recovery of the economy, particularly in the context of the positive impact it will have on foreign exchange earnings. Against the backdrop, it is pivotal that tourism authorities expedite the launch of Sri Lanka's much awaited global marketing campaign, especially in key source markets with the aim of raising awareness regarding the normalised ground situation in the country.

Sri Lanka continues to remain attractive as a tourist destination given our diverse landscape and unique offerings, with the added competitive advantage from a pricing perspective due to the significant depreciation of the Rupee in March 2022.

As a destination, Sri Lanka continues to remain attractive as a tourism hub, given its competitive edge over its regional peers:

- A range of tourist attractions (wildlife, beaches and historical sites). As per UNWTO, nature, rural tourism and road trips remain as key trends.
- UNWTO projects domestic tourism and travel closer to home as one of the major trends; showcases Sri Lanka's ability to tap into the Indian market, and potentially China.
- The steep depreciation of the domestic currency in March 2022 has increased the 'value for money' nature of the total destination.
- Increased connectivity and supporting infrastructure.

Whilst driving demand will be imperative, the Sri Lankan Leisure businesses will execute a comprehensive rate strategy to ensure optimisation of returns; accordingly, the Sri Lankan Leisure properties are expected to adopt marginal increases in average room rates in USD terms. The rate strategy will also take into consideration the planned increase in tourist arrivals over the ensuing months against the inventory of rooms in Sri Lanka which largely remains unchanged. Whilst this is unlikely to have a material impact on occupancy, this is envisaged to translate to better top-line performance of the businesses and aid revenue growth whilst also ensuring optimised yields. However, inflationary pressures and the high interest rate environment are envisaged to impact operating costs which is likely to exert pressure on margins and profitability as detailed further in the ensuing section.

Whilst inflation and interest rates have eased relative to the peak witnessed during a majority of 2022/23, the absolute levels are still at a high compared with 12 months ago. These impacts, together with fiscal consolidation measures, are likely to hamper demand for domestic travel and, in addition, may exert pressure on food and beverage (F&B) performance.

Given the significant cost pressures, particularly in restaurant operations and events and banqueting, the businesses will continue to adopt stringent expense control and cost optimisation measures, although the price increases undertaken in the recent past, to ease impacts on F&B performance, will help partially offset this impact.

Despite the cost pressures, the EBITDA of the businesses is expected to improve in tandem with occupancy increases given a better absorption of fixed costs, whilst any incremental foreign currency revenue will also positively impact EBITDA considering the relatively higher exchange rate in comparison to the previous years. However, this may be partially offset at a PBT level due to significant finance costs on account of the still elevated interest rate environment at present. It is pertinent to note, as mentioned earlier, that interest rates may ease further once there is clarity on the DDR as the risk premia currently attached to domestic debt as a result of this uncertainty will fall away. A portion of the industry group's debt is on fixed terms and therefore has helped to partially insulate the impact of elevated interest rates.

In terms of portfolio expansion, 'Cinnamon Red Kandy', jointly developed by John Keells Hotels PLC (KHL) and Indra Traders (Private) Limited, is currently under development. The capital deployed for the project will be based on an asset-light investment model and the Group will maintain a 40% minority equity stake in line with this strategy. The management of the hotel will fall under the purview of the Hotel Management sector. The hotel, which is an extension under the select service segment of 'Cinnamon Hotels & Resorts', is expected to be completed in 2024/25 and will feature 216 rooms, and amenities such as an expansive rooftop bar and a swimming pool, amongst others.

'Cinnamon Bentota Beach', which was unable to realise its full potential post the reopening of the property given the closure of the country's borders and restrictions on global tourism in the past couple of years, recorded an encouraging performance during the year. This improvement is envisaged to gather momentum with the growth in arrivals, thereby capturing premium average room rates (ARRs) and enhancing the 'Cinnamon' brand, particularly in the medium to long-term.

The construction work at 'Cinnamon Life Integrated Resort' is progressing well, with the hotel, retail and entertainment components in the final stages of construction. The fitouts and interior works of the hotel rooms and common areas are well underway with ~500 rooms already completed. The business will continue to engage with potential tenants of the retail mall, to ensure unique attractions and offerings. Various alternatives including experiential offerings focused on food and beverages, lifestyle and entertainment, which would complement the hotel and gaming operations, will be considered for the retail space.

Refer medium to long-term outlook below, for further details.

OUTLOOK

Maldives

The Government of Maldives successfully exceeded its target of 1.60 million arrivals for CY2022, recording 1.68 million tourist arrivals in CY2022. Arrivals thereafter from January to April 2023 noted significant growth against the comparative period. For CY2023, the Government has announced a target of 1.80 million arrivals.

Tourism in the Maldives is expected to be driven by organic growth in global tourism post adjusting for the impacts of the Russia-Ukraine crisis. Increased capacity due to the impending completion of the Velana International Airport expansion and a rebound in Chinese arrivals, which was the single largest source market into the Maldives prior to the pandemic, will aid growth. Potential downside risks include a slower recovery in tourism than envisaged, adverse oil prices stemming from inflationary pressures affecting long-haul travel from source markets, and the potential resurgence of pandemic related challenges.

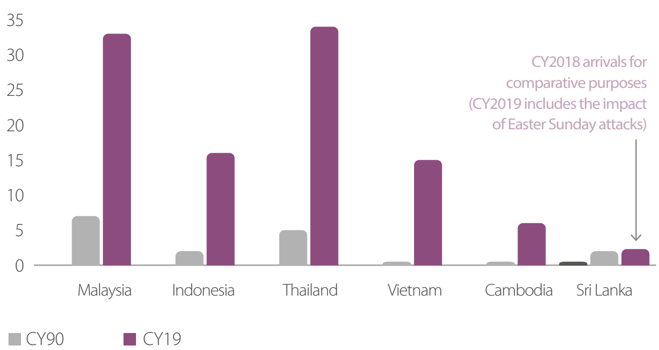
Whilst the Russia-Ukraine crisis may exert pressure on performance, as noted previously, this is envisaged to be offset through organic growth in global tourism. It is encouraging that the rebound in tourism into the Maldives has been primarily driven by traditional source markets, while alternate markets have also contributed significantly, demonstrating the 'pent-up' demand and showcasing the potential for arrivals. This is despite there being no Chinese arrivals due to restrictions for travel out of China till January 2023.

As noted in the Leisure Industry Group Review, arrivals to the Maldives and the Group's Maldivian properties have been very encouraging, where occupancy and ARRs have reached pre-pandemic levels. The Group is well positioned to capitalise on this opportunity, as witnessed in 2022/23, given that the full complement of all four resorts in the Maldives is available following refurbishment and reconstruction just prior to the pandemic.

Medium to Long-Term

The Group remains confident that the prospects for tourism, and the Leisure industry group in particular, in the medium to long-term remain extremely positive. This optimism is based on the diverse range of offerings and the potential for regional tourism, supported by the availability of a comprehensive portfolio of hotels to accommodate the expected surge in demand. Sri Lanka's potential in the tourism sector remains largely untapped, considering that the country received only 2.3 million tourists prior to the Easter Sunday attacks in CY2019, while regional tourism has experienced significant growth over the past decade.

Tourist arrivals lag well below regional peers
(Arrivals in million)



Note: Given the impact of the Covid-19 pandemic in CY2020 and CY2021, the graph compares tourist arrivals in CY1990 against CY2019.

A concerted marketing campaign, improving connectivity into the country at competitive rates, addressing capacity constraints both in terms of airport capacity constraints and tourism infrastructure is expected to be a significant catalyst to attract tourism into Sri Lanka.

The Bandaranaike International Airport (BIA) expansion project is a two-phase project - phase B, providing 23 additional parking spaces (aprons) for aircrafts using the facility was concluded in November 2021. Phase A, which entails the construction of a new passenger terminal building has, unfortunately, been suspended with the final date of opening uncertain at this time. The opening was previously planned for CY2024 and it is hoped that the authorities will re-commence the project and fast track this important aspect of infrastructure to support the tourism industry. Post completion, the terminal will have the ability to handle 15 million passengers annually.

Cinnamon Hotels & Resorts

The businesses will continue to operate within the realigned structure put in place in 2020/21, which is a part of the Group's vision of expanding its footprint, in an asset-light model, to enable the businesses to create a holistic value proposition that leverages on the round-trip offerings in Sri Lanka and the Maldives, whilst fostering greater synergies and efficiencies across the hotel portfolio resulting in an enhanced customer value proposition.

Round trip offering in key tourist destinations of Sri Lanka; further potential to expand the 'Cinnamon' footprint both in the Maldives and Sri Lanka

Hotels in Colombo	Hotels in Colombo		
Sri Lanka			Maldives
Cinnamon Grand Colombo (501 rooms) ★★★★★	Cinnamon Bey Beruwala (199 rooms) ★★★★★	Cinnamon Bentota Beach (159 rooms) ★★★★★	Cinnamon Velifushi Maldives (90 rooms) ★★★★★
Cinnamon Lakeside Colombo (346 rooms) ★★★★★	Cinnamon Lodge Habarana (138 rooms) ★★★★★	Hikka Tranz by Cinnamon (150 rooms) ★★★★	Cinnamon Hakuraa Huraa Maldives (100 rooms) ★★★★
Cinnamon Life* (800 rooms) ★★★★★	Cinnamon Citadel Kandy (119 rooms) ★★★★	Habarana Village by Cinnamon (108 rooms) ★★★★	Cinnamon Dhonveli Maldives (152 rooms) ★★★★
Cinnamon Red Colombo*** (243 rooms) ★★★	Cinnamon Wild Yala (68 rooms) ★★★	Trinco Blu by Cinnamon (81 rooms) ★★★	Ellaidhoo Maldives by Cinnamon (112 rooms) ★★★★
	Cinnamon Red Kandy** (216 rooms) ★★★		

Note:

**Currently under construction*
***Currently under construction, minority stake with management rights*
****minority stake with management rights in 'Cinnamon Red Colombo'.*

Of the total freehold land acreage owned, a total of 96 acres of freehold land are in key tourist hotspots:

- Ahungalla (Southern Province) : 10.9 acres
- Trincomalee (Eastern Province) : 14.6 acres
- Nilaveli (Eastern Province) : 41.7 acres
- Wirawila (Southern Province) : 25.2 acres

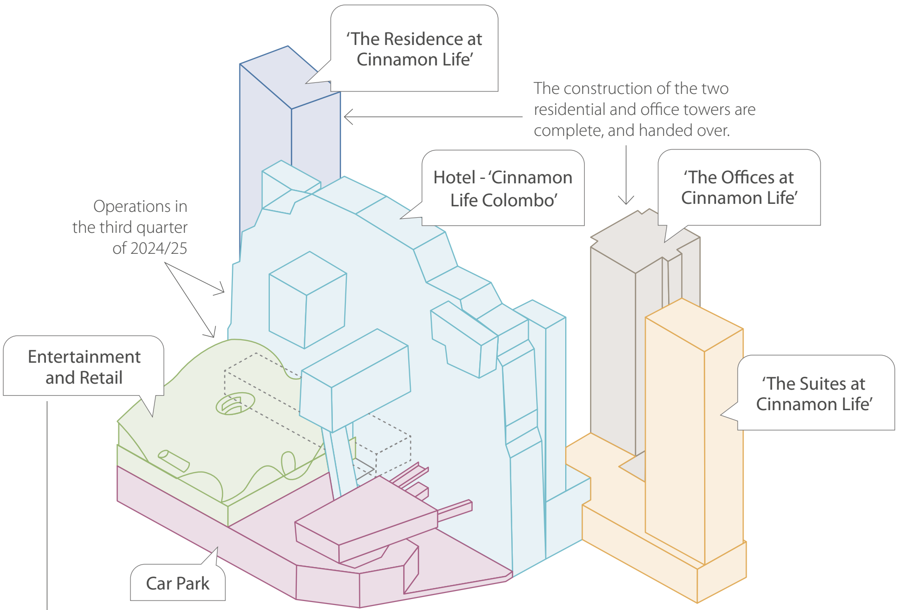
Cinnamon Life Integrated Resort

The 'Cinnamon Life Integrated Resort' will help establish Colombo as a tourism hub given its multi-use facilities and iconic design. The proposed gaming facility is envisaged to be a catalyst in providing unprecedented growth opportunities for the Group and complement this multifaceted development, which includes an 800-room hotel, many specialty restaurants, retail and entertainment spaces, two residential apartment towers and an office tower with ample car parking.

Subsequent to the gazetting of the gaming regulations by the Government in August 2022, the Group is currently engaged in discussions with some leading international gaming operators to secure the necessary international gaming expertise to operate at 'Cinnamon Life Integrated Resort'. A lot of groundwork has been carried out by the parties, including detailed site visits, evaluation of the business case and operating model, fitout requirements, designs and timelines. The discussions are progressing well, where various commercial structures and arrangements are being negotiated. In the event 'Cinnamon Life Integrated Resort' is unable to obtain favourable terms to our satisfaction, as an alternative, the Group will work on a model where the gaming entity sources the requisite international gaming expertise to operate at 'Cinnamon Life Integrated Resort', similar to how some other successful regional integrated resorts have established operations.

The envisaged structure of the gaming operations is that 'Cinnamon Life Integrated Resort' will lease space to the gaming entity, while a third party will invest in the gaming fitout. Based on discussions, it is estimated that the overall fitout of the gaming space will take a period of ~12-15 months once the commercial aspects and agreements are finalised. The Group is confident that the convergence of all elements in the launch of the integrated resort will unlock its full potential as a transformative development in South Asia and be a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka.

Based on discussions, it is estimated that the overall fitout of the gaming space will take a period of ~12-15 months once the commercial aspects and agreements are finalised.



- **retail mall** ~149,000 Sq. Ft of rentable space
- **entertainment space** ~160,000 Sq. Ft

Hotel - 'Cinnamon Life Colombo'

- **800** guest rooms
- exhibition hall
- conference hall
- **3** ballrooms
- **7** meeting rooms
- **2** lounges
- **4** pools
- **6** restaurants
- **5** bars
- **3** pool bars
- **4** wellness and fitness centres

Note: The two residential apartment towers and the office tower of the 'Cinnamon Life Integrated Resort' are captured under the Property industry group review.

Colombo Hotels

Several major infrastructure projects are expected to be completed in the ensuing years in Colombo including the Port City Colombo project and the development of the East and West Terminals of the POC. Such notable developments will augur well for Colombo, particularly in attracting business travellers. The availability of dedicated conferencing and meeting facilities is also expected to bode well for tourism, particularly to attract tourism from the meetings, incentives, conferences and exhibitions (MICE) segment. The Colombo Hotels segment will be uniquely positioned to capitalise on this opportunity, particularly given the additional demand for MICE which is envisaged to be created with the launch of the 'Cinnamon Life Integrated Resort'.

Continued focus will be placed on prioritising the development of market-specific strategies aimed at catering to a diverse clientele. The properties will also leverage on its unparalleled F&B offering, by continuing to strengthen its dedicated offerings and flagship restaurants.

Sri Lankan Resorts

Given the increasing traction Sri Lanka has received as a holiday destination and the unparalleled cultural and natural landscape of the country, the prospects for the Sri Lankan Resorts segment remain positive in the medium-term. The Group will continue its investments to expand the 'Cinnamon' footprint across the island, although primarily in line with the Group's asset-light investment strategy.

In addition to the launch of 'Cinnamon Red Kandy', the Group will also place emphasis on monetising its significant land bank, especially in the Southern and Eastern coasts, thereby strengthening its project pipeline for the segment.

Maldivian Resorts

The performance of the Maldivian Resorts segment is expected to continue its upward trajectory, given ongoing infrastructure developments and the Government's focus on developing the tourism industry. The Group remains confident of the ability to capitalise on the envisaged growth in tourism in the medium to long-term given the full complement of all four of its properties in full operation, as noted earlier.

The segment will continue to work closely with key tourist market operators to better position and market its refurbished room inventory, whilst growing direct bookings through online platforms.

Hotel Management

The sector will continue to develop a pipeline of 'Cinnamon' events, aimed at developing Colombo as an entertainment hub in South Asia and reinforcing the 'Cinnamon' brand.

Destination Management

Emphasis will be placed on opportunities beyond the traditional travel intermediary space. The sector will also focus on improving process efficiency, scalability of operations and productivity of the business in catering to evolving customer needs through the use of its digital platforms.

Property

The tightened macroeconomic conditions including elevated interest rates and reduced discretionary incomes are likely to lead to a moderation in demand for real estate among homeowners. However, this could be partly offset by interest by a certain segment of investors, as real estate is traditionally seen as a long-term investment option to hedge against an inflationary environment. Considering the steep increases in prices last year, including the significant increase in the costs of construction, the pricing of any new development will be less competitive than projects currently in development. Residential apartment supply is likely to taper in the short to medium-term as the commencement of new projects is likely to slow down given the uncertain and volatile costs and market conditions. Given these factors, the business believes that demand for residential units will pick up in the medium-term.

The business will continue to proactively assess the landscape to understand evolving trends to navigate through the ensuing year. Construction progress is envisaged to gain momentum from the slowdown witnessed last year aided by notable improvements in construction material availability and reduced restrictions on the external front.

Looking beyond the short-term impacts, the Group is of the view that the underlying fundamentals of the Property industry group remain promising.

Note: Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in the third quarter of 2024/25, the review and reporting of the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group. The property development components of the project, namely, the two residential apartment towers and the commercial tower, continue to be recorded under the Property industry group.

Immediate to Short-Term

Construction activity at both the 'TRI-ZEN' and 'Cinnamon Life Integrated Resort' project sites is anticipated to maintain its momentum; continued re-planning and re-sequencing of the construction work in discussion with the contractor, is envisaged to aid this pace, ensuring the timely delivery of project milestones. However, challenges in labour mobilisation may continue to exert pressure on activity going forward with the issue of human capital flight and brain drain. The negative perceptions caused due to the economic, political and social crisis, which peaked in May 2022, has also caused challenges in terms of attracting the skilled and semi-skilled resources required for the finishing works of the project, although this has substantially reduced since then.

The sales momentum for the residential apartments at the 'Cinnamon Life Integrated Resort' has been slow in line with the trends seen in the luxury segments in the city. Demand for residential units was also impacted by the introduction of value added tax (VAT) and the social security contribution levy (SSCL) which increased the price of apartments by ~17.5% effective 1 October 2022. Despite this, a gradual pickup in sales momentum is envisaged, in tandem with an improvement in consumer and business confidence, given a notable slowdown in the condominium pipeline, with almost no new additions in the luxury segment. Further, the cost of constructing similar apartments today would be significantly higher given the steep depreciation of the Rupee and significant increases in construction related material and inputs in 2022/23, where existing units will be an attractive and valuable proposition. Whilst the high interest rate environment prevalent at the time may pose challenges for future sales, the inflationary pressures in the country may rekindle an interest in real estate sales given its widespread acceptance as a hedge against inflation.

'TRI-ZEN', in tandem with the industry, was compelled to increase its prices to offset the effects of the significant depreciation of the Rupee during the year under review. The increase in prices coupled with high interest rates and the reduction in disposable income may exert pressure on sales in the immediate-term. However, the Rupee pricing model for apartment units at 'TRI-ZEN', which mitigates the risk of fluctuating exchange rates for buyers, is envisaged to be a key differentiator in driving sales going forward.

The Group is of the view that the existing land bank is adequate to sustain a steady pipeline of projects in the long-term, especially given the 9.38 acre property held under Vauxhall Land Developments (Private) Limited, and accordingly, will continue to focus on the monetisation of this extensive land bank. Given these circumstances, the Group does not foresee deployment of significant capital in the Property business. The Group has already gradually commenced the monetisation of the land bank in Digana, through various real estate products under Rajawella Holdings (Private) Limited, which include scenic land parcels, townhouses and villa developments.

The Group will continue to explore investment opportunities in the emerging suburban areas of Colombo to enter the industry group's 'Suburban Spaces' segment, given the growing demand and potential in the suburban market on account of the high prices associated with residential apartments in Colombo.

On the real estate front, the Group will continue to assess the performance of the malls and engage with tenants to manage the downside risk as the performance of the malls mirror trends in consumer spending. It is noted that this is not as material in the context of the Group.

Medium to Long-Term

Given evolving business models, the Property business will assess the business landscape to understand possible lasting shifts in real estate demand including the various means by which properties can be built in tandem with such shifts and how properties would be priced, amongst others. Notwithstanding this and looking beyond the current macroeconomic landscape and the fiscal consolidation process, aspects such as increasing demand for commercial and residential spaces, an emerging middleclass demographic, a pipeline of public infrastructure projects, increasing urbanisation and connectivity are envisaged to drive growth in the property and real estate sectors.

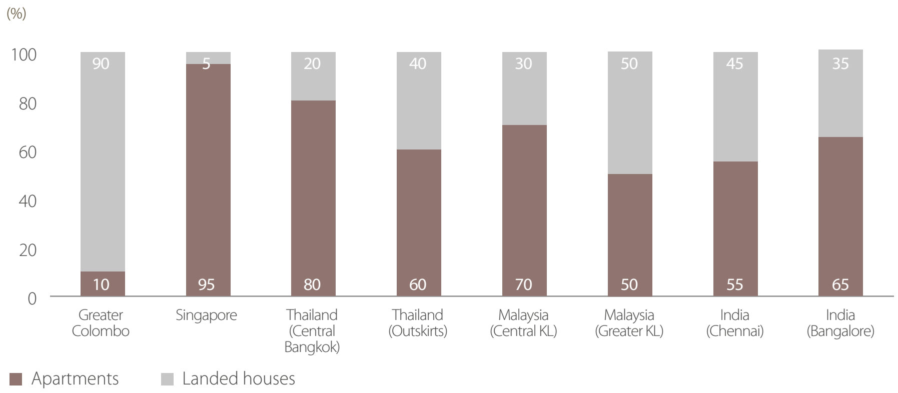
Residential Real Estate

Prospects for the housing market in Colombo and the suburbs continue to be promising on the back of drivers such as the expanding middleclass demographic, increased commercial activity within Colombo and potential for increased GDP per capita. Recent investments and infrastructure spending channelled towards enhancing connectivity to the commercial centres of the country, will accelerate demand in these areas and outer regions.

With individuals increasingly moving towards urban areas as a result of improved connectivity and commercial activity, there is a robust and emerging market for affordable, multi-family housing solutions in close proximity to such commercial hubs.

The market for vertical and middle-income housing, in particular, is expected to experience significant growth given increasing land prices in Colombo and the high costs associated with the construction of single-family houses. The proportion of landed housing to apartments within Colombo is notably higher than its regional peers, indicating the need and potential for smart housing solutions at affordable price points, which however need to be within the limited land bank available in Colombo.

~60-70% of housing in regional mega cities, both luxury and mid-tier, are predominantly apartments to ensure maximum value creation within a limited land bank. However, apartment living in Colombo is ~10%, despite the scarcity of land, representing an opportunity within the market.



Source: Company Analysis

The Group will leverage on its high-brand equity and expertise in the industry to exploit such opportunities through projects such as 'TRI-ZEN' as well as other projects under the 'Metropolitan' and 'Suburban' segments. The Group expects to monetise its extensive land bank of prime real estate in Colombo and the suburbs to generate returns above the Group hurdle rates over the next 8-10 years given the scale and staggered development of the projects envisaged. To this end, the Group has earmarked a development at the 9.38-acre land held under Vauxhall Land Developments Limited primarily as metropolitan housing, complemented by other supporting commercial uses, which will be developed subject to market demand, construction landscape and supply dynamics.

Commercial Real Estate

The opportunity for high-end 'A-Grade' office space is more pronounced as more global companies move to establish offices within the city, especially in the financial services and business process outsourcing (BPO) sectors. The transformation of Colombo as a financial and commercial hub through large-scale investment projects such as Port City Colombo coupled with an increase in business activity is envisaged to drive demand in this segment. The absence of proper infrastructure and management facilities of the current supply in comparison to modern workspaces, also presents an opportunity. However, it is pivotal to note that demand may be tempered in the short to medium-term given a decline in business confidence and slowdown in investment. Based on market opportunity, the industry group will continue to expand its commercial real estate offering at the right time at attractive price points.

Residential apartment supply is likely to taper in the short to medium-term as the commencement of new projects is likely to slow down given the uncertain and volatile costs and market conditions.

OUTLOOK

Financial Services

Immediate to Short-Term

The prevailing macroeconomic environment, characterised by high inflation in comparison to 12 months ago and elevated interest rates coupled with tightened fiscal policy measures, has resulted in a reduction in disposable income and a moderation in consumer spending. Whilst it is premature to ascertain for how long this situation will prevail and the business is yet to witness a material effect from the current macroeconomic conditions, a continued deterioration in purchasing power may exert pressure on new business and collections in the short-term and impact consumer sentiment and income, inducing policy lapses. The immediate priority of the business would be to create agile responses, with the aim of mitigating the impact of the prevailing environment and rolling out initiatives aimed at leveraging on the anticipated economic recovery. To this end, the business aims to capitalise on digital capabilities built in the past to minimise the overall impact on business and ensure persistency of existing policies while maintaining the trend of new business. Emphasis will also be placed on expense control and cost optimisation. Notwithstanding these challenges, the business will continue to place emphasis on strengthening its position as the second largest new business producer in the industry. The Life Insurance business will also continue to strengthen its partnerships with leading banks with the aim of consolidating its status as one of the leading bancassurance providers in the country.

Ensuring the concerns of employees and all stakeholders, including the agency force, are managed remain a key priority of the Insurance business.

The growth prospects of the financial services sector are closely tied to the state of the economy and the outcome of the DDR process and restructuring of foreign currency debt. Nations Trust Bank (NTB) will continue to closely monitor developments in this area, despite having a relatively low exposure to foreign currency debt in the industry. The Bank has conducted various stress-tested scenarios on its capital and liquidity position and remains confident in its ability to navigate any potential impacts. The Governor of the Central Bank of Sri Lanka (CBSL) has assured the stability in the domestic banking system and prioritising the protection of public deposits in any debt optimisation programme. This commitment provides additional encouragement and supports the overall confidence in the stability of the banking sector. The impact on the insurance industry through a DDR, if it happens, is somewhat less certain given the uncertainty surrounding the scale and breadth and if there will be any regulatory forbearance from the insurance regulator in terms of the impact on capital. Union Assurance PLC (UA) has evaluated multiple scenarios to assess the impact on liquidity, returns and capital and is confident of its ability to navigate through a DDR under normal stress-tested scenarios.

Whilst interest rates have declined quite materially, the interest rate environment is still elevated. The prevailing high interest rate regime and the fiscal consolidation process is likely to result in lacklustre credit growth on the back of reduced consumer spending which will impact loan growth as well as result in higher credit and market risk exposures. However, interest rates are likely to gradually reduce with better clarity on the DDR, as the risk premia attached to domestic debt as a result of this uncertainty will fall away. However, prolonged stresses may result in an increase in non-performing loans and impairments, although the Bank will continue to monitor such exposures. Accordingly, NTB will focus its efforts on building resilience and sustainability through prioritising credit quality, margin management, return focused lending and financial stability, whilst also continuing with the stringent cost management culture in place, particularly given inflationary pressures on its cost structure.

The Director of Bank Supervision of the CBSL has informed that in terms of a decision of the Monetary Board of the CBSL, the Group has been granted further time till 31 December 2022 to reduce its voting shareholding in NTB to 20%. Restriction on voting rights at 10% is applicable on the Group until the shareholding is reduced to 15%. JKH has requested for an extension of the deadline from the CBSL and is awaiting a formal response from the CBSL. The Group currently holds 29.48% of voting shares in NTB.

Positive developments on the macroeconomic front, such as the securing of the IMF-EFF programme, coupled with increased optimism regarding the country's growth potential, subject to ensuring that reforms are enacted as envisaged, is projected to yield positive effects on the performance of the stock market and investor sentiment. The Stock Broking business is well positioned to capitalise on this opportunity.

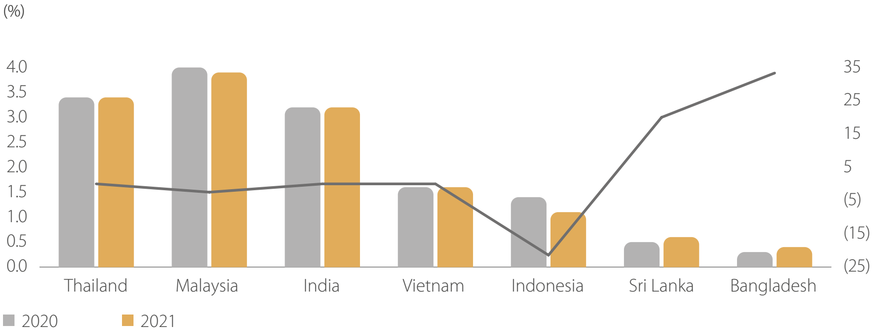
Medium to Long-Term

Insurance

Despite the immediate impacts that may materialise on business performance on account of the current landscape, domestic conditions are envisaged to remain resilient and rebound in the medium-term in tandem with a revival of the economy and improvement in confidence and disposable income post the fiscal consolidation process. A significantly lower level of insurance penetration in comparison to regional markets, rising incomes from current levels and an ageing population are expected to fundamentally aid growth in the life insurance industry in Sri Lanka. The absence of a pension scheme for all citizens and the increasing prevalence of non-communicable diseases is also expected to increase demand for long-term health and annuity solutions. UA is uniquely positioned to capitalise on the aforementioned opportunity, given its strong brand equity, diversified portfolio of products and digital know-how.

Sri Lanka has a relatively low level of insurance penetration in comparison to regional markets

Life Insurance Penetration in Regional Markets



Source: Insurance penetration rate in Asia-Pacific by Atlas Magazine

RHS: Penetration Rate
LHS: Growth in the penetration rate from CY2020 to CY2021

The business will focus on diversifying its channels through an omni-channel distribution model and optimising bancassurance partnerships. To this end, although the agency channel is envisaged to be the key driver of revenue growth, the business will also focus on expanding the bancassurance and alternate channels, particularly through the development of innovative insurance products that meet the evolving needs of customers. UA will place emphasis on modular products designed to meet the specific requirements and new needs of the customers marketed though efficient and modern distribution channels.

The business will continue to revolutionise the insurance landscape in Sri Lanka through ongoing innovative investments and a clear digital roadmap that focuses on enhancing customer convenience, achieving operational excellence and improving distribution capabilities. Capitalising on the vast data reserve, emphasis will be placed on data analytics for better insight on evaluating the market, developing innovative products and devising growth strategies to fundamentally enhance decision-making capability.

The Insurance business will leverage on its new identity to attract a new generation of customers and augment its market presence. Continued focus will be placed on improving the employee value proposition. The business will also execute various strategies aimed at the continuous improvement of the agency force through skill development and the retention of the trained talent pool.

The growth prospects of the financial services sector are closely tied to the state of the economy and the outcome of the DDR process and restructuring of foreign currency debt. Nations Trust Bank (NTB) will continue to closely monitor developments in this area, despite having a relatively low exposure to foreign currency debt in the industry. The Bank has conducted various stress-tested scenarios on its capital and liquidity position and remains confident in its ability to navigate any potential impacts.

Banking

Looking beyond these ongoing challenges and the current crisis, the prospects for the Banking sector continue to be promising with NTB uniquely positioned to capitalise on this opportunity. Recent investments and focus towards strengthening its digital infrastructure, strong customer relationships and flexible solutions have placed NTB in a unique position to capture the opportunities presented by the industry's ongoing digital transformation and strengthen its market positioning.

The Bank will further augment its digital infrastructure and processes to ensure better customer service, innovative solutions and efficiency in operations. The continued expansion and positioning of 'FriMi' as a lifestyle application and digital bank through the integration of various lifestyle solutions, new features and enhanced user interface, will remain an area of focus for the Bank in its digitisation drive.

Investment in upskilling the human capital of the business to thrive in an increasingly digitised industry, driving cost and process efficiencies by leveraging on past investments in automation, lean process re-engineering and activity-based costing measurement frameworks remain a priority in the medium-term.

Stockbroking

The Group expects a revival in foreign investor participation in tandem with the improvement of the macroeconomy, which will contribute to improved activity in the Colombo Stock Exchange (CSE). John Keells Stock Brokers (JKSB) will continue to cultivate foreign tie-ups in order to strengthen its presence amongst foreign institutional investors. The business will simultaneously work towards expanding its local client base aimed at local corporates, fund managers and high net-worth individuals.

Other, including Information Technology and Plantation Services

Information Technology

Immediate to Short-Term

The information technology and communication industry in Sri Lanka formulated a strategic plan to establish a USD 3 billion industry by CY2024, primarily through export revenue. The industry has also set a target of contributing USD 15 billion to the digital economy by CY2030.

The Group's IT businesses continue to be well positioned to leverage on its strategic partnerships and capabilities to offer smart software solutions, especially in the areas of cloud computing, software as a service (SaaS) and automation, whilst concurrently exploiting potential opportunities for managed services, outsourcing and offshoring. The business will look to consolidate its position in the current markets.

The primary challenge for the Group's IT businesses stemming from the ongoing macroeconomic environment is attrition and sourcing talent. Challenges in labour mobilisation is envisaged to be more pronounced going forward with the issue of human capital flight and brain drain, on the back of the current environment. Every effort will be made to attract and retain talent by offering opportunities for career development and enhanced scope of roles offering diverse learning and exposure.

Medium to Long-Term

The business expects continued adoption of information technology solutions on the back of the higher adoption of digital solutions. To this end, the Group expects to see greater traction in the adoption of cloud-based solutions and services across industries, with emphasis on cloud, SaaS, automation, advanced analytics, application modernisation, cyber resilience and platform/ecosystem thinking, among others.

OUTLOOK

John Keells IT (JKIT) will leverage on its strategic partnerships with SAP, Microsoft and UiPath, to expand regionally to capture high-end accounts and increase business reach in Sri Lanka, the Middle East and North Africa (MENA) and the Asia Pacific (APAC). The business will also focus on delivering innovative consultative solutions and services across the five value stacks of 'Strategy', 'Core', 'Cloud', 'Platforms' and 'Ecosystems', across multiple industries. JKIT will also place emphasis on building and expanding its capabilities and also look to expand its portfolio of offerings beyond core enterprise resource planning (ERP), enterprise applications, and managed development centres, thereby expanding its value proposition and competitive advantage.

The low penetration of business process management (BPM) services in Sri Lanka and the increasing demand for outsourced services, particularly non-core functions, is expected to augur well for the BPM industry in Sri Lanka. While the sourcing of talent in Sri Lanka is a challenge, BPMs overseas, particularly in developed markets, are finding it exponentially harder to find the requisite talent and this is driving strong demand for near-shoring and off-shoring of BPM operations. Infomate is uniquely positioned to capitalise on this opportunity, given its strong track record and business capability in catering to offshore clients from varying geographies and industries. Against this backdrop, the business is envisaged to continue its growth momentum, increasing its market share through the acquisition of new clients, while focusing on further diversifying its operations and improving the efficiency of its services through automation and digitisation of processes.

Plantation Services

Immediate to Short-Term

The prospects for the Plantation Services sector remain positive, given its export-oriented nature. The Sri Lanka Tea Board (SLTB) anticipates the overall tea production to reach 290 million kilograms in CY2023 [CY2022: 252 million kilograms], with tea exports projected at ~275 million kilograms.

Current signs indicate that the lagged effect of fertiliser shortages which materialised as a result of the ban imposed by the Government on the importation of agrochemicals in April 2021, has largely subsided and this will support an improvement in tea production as anticipated by the SLTB. The increase in tea production with expectations of improved green leaf quality is expected to improve volumes at the Colombo Tea Auction, which was largely constrained in recent months due to inadequate production. Potential headwinds include increases in production costs due to the industry's dependence on labour and imported fertiliser and adverse weather conditions.

Tea prices, in USD terms, are envisaged to remain resilient in the short-term, despite the increase in tea supply. Demand for tea is envisaged to continue aided by organic growth and with the emergence of health-conscious consumers, given the various health benefits associated with tea, although demand may be impacted as a result of a global economic slowdown. In LKR terms, the prices would depend on the outlook for the economy and the Rupee.

Rising costs continue to be a significant issue for the business and the industry at large, impacting competitiveness regionally and globally. The business will continue to place emphasis on managing its working capital requirements on the back of tightening domestic macroeconomic conditions, particularly in terms of managing debt collection. The business will continue to ensure prudent cost management and productivity enhancing measures are in place to navigate any short-term impacts that may arise from the macroeconomic environment, although currently there are no disruptions to operations.

Medium to Long-Term

Global demand for tea is expected to gain traction on the back of an increase in tea drinking trends globally. Growing demand for low grown tea from traditional markets in the Middle East and Russia and new demand from emerging tea drinking countries such as Germany and the United States is expected to augur well for Sri Lanka. Adverse and increasingly unpredictable weather conditions on account of climate change and significant competition from other tea-producing nations such as Kenya, India and China remain as key challenges for the business. The business will also continue to adopt increased regulations and controls on chemical usage in the tea plantation industry to meet maximum residue levels (MRLs).

The long-term priorities for JK PLC include:

- Adopting strategies to drive volume growth and working with producers to reduce the inconsistencies in volumes available for auctions.
- Further augmenting the strong financial and cost management strategies to improve performance levels.
- Optimising the warehousing operations, including increasing the use of solar energy, enhancing the racking systems, and improving the efficiency of loading and unloading operations.
- Reducing the impact on the environment by converting all physical documents of the warehousing operations to electronic formats.

The long-term priorities for TSF:

- Placing emphasis on the quality of its products whilst also diversifying its manufacturing mix to meet market trends and mitigate risks.
- Cost optimisation and improving factory utilisation and the efficiency of the tea production process.
- Maintaining its reputation as a high-quality producer to the market, while exploring opportunities to cater to high-value market segments.
- Continual evaluation of opportunities arising from the emerging Chinese market for Ceylon orthodox black tea.
- Continue engagement with stakeholders, especially smallholder partners, for mutually beneficial outcomes.

The low penetration of business process management (BPM) services in Sri Lanka and the increasing demand for outsourced services, particularly non-core functions, is expected to augur well for the BPM industry in Sri Lanka. While the sourcing of talent in Sri Lanka is a challenge, BPMs overseas, particularly in developed markets, are finding it exponentially harder to find the requisite talent and this is driving strong demand for near-shoring and off-shoring of BPM operations.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

The Strategy, Resource Allocation and Portfolio Management section aims to provide detailed insights into the manner in which investment decisions of the Group are made by analysing the performance of the overall portfolio, the overall strategic direction of the Group and the means by which capital is allocated for investments.

The unprecedented events over the past four years, commencing from the Easter Sunday attacks in April 2019, the Covid-19 pandemic and a severe domestic financial crisis have naturally impacted the performance of the portfolio. Nonetheless, the long-term strategic trajectory of the Group's portfolio and the fruition of all investments made over the last few years has enabled the Group to withstand and navigate through these headwinds and position the portfolio to meet the long-term aspirations of the Group.

In managing the Group's portfolio, the Group places emphasis on identifying and pursuing growth prospects that would help achieve the Group's vision of 'Building businesses that are leaders in the region' and its medium to long-term objectives. In this light, businesses adopt a systematic approach to resource allocation and strategy formulation that is aligned with the core values, overall direction and strategies of the Group.

As evident from the past, the Group strives to constantly align its portfolio of businesses with the key 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, both locally and internationally. The Group believes the current portfolio continues to serve that purpose and that its investments over the last few years, and planned investments, in these core areas reinforce this strategy.

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.

The Group is of the view that the fundamentals and potential of the industries the Group operates in, remain unchanged, as the demand drivers underpinning the business would still be relevant in the medium to long-term, although there may be changes to operating models in some areas. The challenges which prevailed during the past few years have heightened the need for diversification, particularly across geographies and the need for offshore revenue streams considering the foreign currency challenges faced by the country, which were more pronounced over the past year.

The Group believes that the balance of the composition of businesses of the core portfolio are appropriate given the diverse nature of revenue streams as well as the direct and indirect exposure to foreign currency denominated income streams through the Leisure, Ports and Shipping and Bunkering businesses. The Group's capital allocation in the 'Cinnamon Life Integrated Resort' and the West Container Terminal project of the Port of Colombo will further augment the Group's foreign currency income streams, in addition to being a catalyst in creating tourism demand and foreign exchange earnings for Sri Lanka. Both investments are expected to commence operations towards end-CY2024.

Following are some of the key strategic initiatives pursued across Group businesses in furtherance of achieving its short, medium and long-term objectives.

- Creation of sustainable value is at the forefront when making operational decisions. Group-wide strategy focuses on driving growth and value that is consistent, competitive, profitable and responsible. In this regard, businesses place emphasis on maximising value by augmenting revenue channels, increasing market share and exploring opportunities by fostering a culture of disruptive innovation and digitisation.
- Focus is placed on maintaining flexible cost structures to ensure optimisation of costs and thereby driving efficiencies and profit maximisation. The Group's emphasis on cost optimisation, prudence, and agility has continued to assist businesses in enduring the challenging periods witnessed over the past few years, in particular.
- Given that continued brand development is essential in fostering customer loyalty, enhancing business image and establishing a more customer-centric identity, Group strategy also focuses on increasing brand equity through a comprehensive understanding of its target market, value proposition, and internal alignment to the brand promise and vision.
- Group strategy also revolves around recruiting, developing and retaining a talented pool of employees. Over the years, the Group has attracted the best and the brightest talent towards building a strong team that reflects the diversity of the customers the Group serves. 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 productivity and efficiency through the employment of digital technologies and disruptive business models.
- Group strategy places significant emphasis on minimising environmental impacts through impact analysis and stakeholder engagement. Strategies are governed by a comprehensive environmental management system and Group-wide sustainability goals which were renewed during the year under review. All operational decisions consider the impact on the Group's sustainability goals and ensure that all possible actions are being taken towards reducing waste and adverse environmental impacts.
- Group's diversity, equity and inclusion (DE&I) strategy revolves around advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are respected. The ONE JKH initiative is envisaged to aid the Group in attracting and retaining the best talent in Sri Lanka and productivity throughout Group value chains and communities.
- Focus is also placed on ensuring that communities develop relevant life skills, and that the external environment is sustainable under the corporate social responsibility (CSR) mandate of 'Empowering the Nation for Tomorrow'. The CSR initiatives of the Group are centrally planned and implemented by the John Keells Foundation.

REGULAR ASSESSMENT OF RISK AND REWARD

In measuring business performance and continuity of operations, all verticals and businesses within each industry group are regularly assessed on key dimensions such as customer orientation, supplier concentration, bargaining power of both customers and suppliers, joint venture (JV) partner affiliations and dependence, cyclicality, regulatory structure, performance against the industry and Sri Lankan economy, procedural, regulatory or technological factors that obstruct or restrict operations and the current and potential competitive landscape, among others.

The capital structure for new ventures is stress-tested under various scenarios, which often results in the execution of 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.

The ONE JKH initiative is envisaged to aid the Group in attracting and retaining the best talent in Sri Lanka and productivity throughout Group value chains and communities.

JKH'S HURDLE RATE

The present hurdle rate of JKH is at 15%, 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.

The adoption of a contractionary monetary policy by the Central Bank of Sri Lanka to address the macroeconomic crisis has resulted in a substantial rise in the cost of debt, with interest rates rising from ~6% to ~24% by March 2023. Whilst Sri Lanka has commenced discussions with creditor nations on seeking a sustainable solution to Sri Lanka's debt obligations, there is still uncertainty as to the need for a complete domestic debt restructuring (DDR) and, even if so, the form, structure and breadth of the same. The risk premia currently attached to domestic debt as a result of this uncertainty should fall away once there is clarity on the DDR with expectations that interest rates will ease significantly thereon.

Given the Holding Company's diversified interests, resource allocation and portfolio management are imperative in creating value to all stakeholders through evaluation of the Group's fundamentals which are cantered on the forms of Capital. Whilst the Group is presented with opportunities in diverse industries, it continues to follow its four-step, structured methodology indicated in the ensuing section, in evaluating its portfolio and thereby guiding investment and divestment decisions.

Financial Filter
Cornerstone of the decision criteria based on the JKH hurdle rate

Growth Filter
Evaluates the industry attractiveness and growth potential based on the industry life cycle

Strategic Fit
Evaluates the long-term competitive advantage of a business/industry by closely evaluating the competitive forces, specific industry/business risks, ability to control value drivers and the competencies and critical success factors inherent to the Group

Complexity Filter
Considers factors such as sustainability, senior management time and the risk to brand image and reputation in conjunction with the anticipated returns

The Project Risk Assessment Committee, a sub-committee of the Board, provides the Board with increased visibility of large-scale new investments and assists the Board to assess risks associated with significant investments, particularly at the initial stages of discussions, by providing feedback and suggestions in relation to mitigating risks and structuring arrangements. Intervention is mandatory as per the committee scope, if the investment cost exceeds a board mandated threshold.

During the year the Group assessed the need to revise the hurdle rate given the significant increase in the cost of debt and equity, amongst other factors, which would naturally affect the WACC. Considering the significant volatility and uncertainty, the hurdle rate was not revised at this juncture on the basis that it is a long-term target, and any revision would be warranted only if the macroeconomic factors are expected to be sustained over the long-term. Given the multitude of fiscal and monetary policy reforms which have already been implemented and the benefits of which are already seen through the stabilisation of the economy, the Group will assess the need for revision of the hurdle rate, particularly once there is clarity on the outcome of a DDR and the related risk premia attached to the cost of borrowing. The Group will continue to monitor the evolution of rates and in determining if an adjustment to the long-term hurdle rate is warranted.

Although the hurdle rate of the Group was not revised given the above rationale, all investments were evaluated under various costs of capital so as to ensure robust and prudent decision making. It is also noteworthy that, although this hurdle rate is utilised as the initial benchmark rate in evaluating the 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.

Considering the significant volatility and uncertainty, the hurdle rate was not revised at this juncture on the basis that it is a long-term target, and any revision would be warranted only if the macroeconomic factors are expected to be sustained over the long-term.

CONCEPTUALISING PORTFOLIO PERFORMANCE

The Group aims to strike a balance between optimising immediate portfolio returns against returns in the future. As such, emphasis is placed on both return generating capabilities of the business against its capital employed and the earnings potential of the business or project. This is particularly relevant with projects such as 'Cinnamon Life Integrated Resort' which has a long gestation period which impacts the short-term portfolio returns during the development phase of the project. While long-term investments such as 'Cinnamon Life Integrated Resort' as well as the West Container Terminal (WCT-1) project have a gestation and ramp up period to start contributing positively towards return on capital employed (ROCE), the transformational impact such investments can have on Group performance once fully operational can translate to a 're-rating' of the portfolio.

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 monetising the land bank of the Group in such a manner that generates a return from the strategic parcels of land held.

Being a portfolio of businesses, the Group has benefited from contributions from different businesses at varying points of time based on their growth cycle and correlation with overall economic growth in the country. Over the last few years, the Group has witnessed a shift in the composition of its earnings with a greater contribution from higher ROCE earning industry groups such as Consumer Foods, Retail, and Financial Services. Looking beyond the short-term impacts of the recent and ongoing challenges, the conscious and planned strategies of driving growth in these industry groups are expected to continue contributing towards an improvement in the ROCE for the Group, as seen in recent performance, whilst concurrently driving absolute earnings growth.

INSIGHTS

Given the unprecedented macroeconomic challenges which prevailed during the year, particularly in the first two quarters, the Group continued to ensure that strategies and mechanisms are in place to afford the Group the flexibility and agility to fund its investments in an optimal manner whilst providing additional support to the Group's liquidity requirements using the available depth of resources.

During the year under review, the Group raised funds through the issuance of convertible debentures amounting to Rs.27.06 billion, by way of a private placement of LKR-denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada. The debentures can be converted commencing from 12 February 2024 to 12 August 2025, and matures thereafter if not converted.

From a portfolio management perspective, the increase in equity and liabilities as a result of this transaction, which translates to a higher capital employed, will have a negative impact on ROCE in the immediate-term, although improvement of ROCE is envisaged post the deployment/use of such funds into projects meeting the hurdle rate. While there is an impact on ROCE, the significance of the transaction is that the Group raised equity capital in foreign currency from offshore sources which fortified the Group's balance sheet when significant market disruptions and scarcity of foreign currency prevailed at the time of raising these funds. The Group received and held these funds in foreign currency which enabled the Group to navigate the foreign exchange crisis by supporting the Group investment pipeline.

*Refer Financial and Manufactured Capital Review for further details on the accounting treatment of the convertible debentures – **page 86**.*

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

INSIGHTS

Managing the Group's foreign currency exposure

From a portfolio management point of view, managing the Group's exposure to foreign currency fluctuations is of utmost priority. The steep depreciation of the Rupee witnessed in March 2022 due to the previously pegged exchange rate not being reflective of market rates had the following implications on the Group's financial position, although the Rupee has now stabilised and appreciated by ~10% as a result of fiscal and monetary policy measures:

- Gross debt recorded a significant increase primarily, given the translation impact on the USD 175 million long-term loan facility at the Holding Company and the USD 225 million long-term loan facility at Waterfront Properties (Private) Limited.
- The translation impact on USD 175 million long-term loan facility is negated at a net debt level as the Holding Company maintained a net foreign currency cash position during the year. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the debt drawdown of the long-term loan facility from the International Finance Corporation (IFC), the private placement of ordinary shares to Asian Development Bank (ADB) as well as the convertible debentures to HWIC.
- At a Group level, the translation risk is also largely hedged 'naturally' as a result of the conscious strategy of matching liabilities against foreign currency denominated assets and revenue streams, to the extent possible.
- It is pertinent to note that the pressures on the exchange rate exposure arising from the 'Cinnamon Life Integrated Resort' project is mitigated to a large extent as the functional currency of Waterfront Properties (Private) Limited, its project company, is US Dollars. Accordingly, the risk is largely hedged 'naturally' given the expectation of foreign currency linked revenue streams. Similarly, at present, there is no foreign exchange translation risk on the IFC loan since the cash is retained in foreign currency at the Holding Company.
- The Group will continue to manage its foreign currency portfolio and investment pipeline optimally, by matching liabilities against corresponding assets, where possible, particularly given the ongoing constraints in the domestic foreign currency markets.

LONG-TERM ASPIRATIONS

The Group continually endeavours to deliver value to the Group's multitude of stakeholders, particularly shareholders. To this end, the Group has in place long-term financial goals which are continually monitored to ensure that the Group is moving progressively towards its vision and objectives, although recent performance has been impacted, and, to an extent distorted, by the effects of the intensive capital expenditure cycle of the Group and four consecutive years of disruption, from the Easter Sunday attacks in 2019, the Covid-19 pandemic and the domestic macroeconomic crisis thereafter. The Group believes these targets are still relevant in the medium- to long-term and is confident of reaching these targets in such a time horizon.

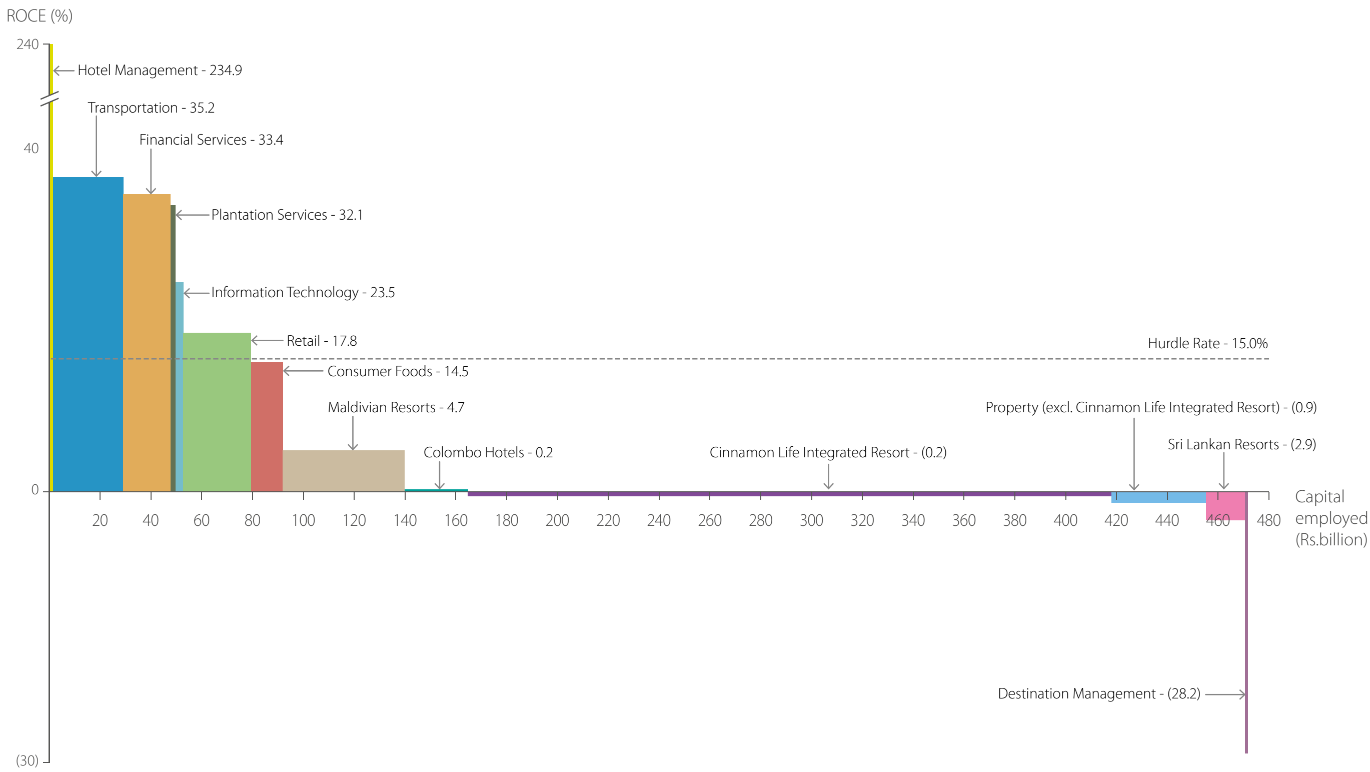
Indicator (%)	Goal	Achievement		
		31 March 2023	31 March 2022	31 March 2021
EBIT growth	>20	59.6	166.7	(41.3)
EPS growth (fully diluted)	>20	(13.2)	318.0	(49.3)
Cash EPS growth (fully diluted)	>20	(19.4)	111.6	20.2
Long-term return on capital employed (ROCE)	15	5.5	4.5	2.7
Long-term return on equity (ROE)	18	5.6	7.5	7.5
Net debt (cash) to equity (with leases)	50	45.4	33.7	33.4
Net debt (cash) to equity (without leases)	50	35.9	23.5	27.8

The Group is of the view that strengthening the capital base has enabled it to navigate the economic crisis and emerge stronger considering the investments in building its businesses and bringing transformational investments closer to reality.

PERFORMANCE OF THE PORTFOLIO

Capital employed has significantly increased as a result of the 'Cinnamon Life Integrated Resort' project and its gestation period, whilst the convertible debenture issuance to HWIC Asia Fund, the long-term financing facility obtained from IFC in 2020/21 and the private placement to ADB has also contributed to a notable increase in the capital base, all of which have negative impacts on ROCE. These strategic choices, however, are catalysts for future growth and risk mitigation given the unprecedented and sustained economic and financial stress in the country; while the Group is cognisant of the short-term effects on performance, priority has always been given to striking a balance between short-term performance and the accretive value creation in the long-term. The Group is of the view that strengthening the capital base has enabled it to navigate the economic crisis and emerge stronger considering the investments in building its businesses and bringing transformational investments closer to reality. These decisions will result in long-term value creation, although, admittedly, it has resulted in negative impacts in the short-term.

As seen in the portfolio graph in the ensuing section, a significant portion of capital is deployed in Leisure, particularly 'Cinnamon Life Integrated Resort'. Whilst these have resulted in a significant 'drag' on the ROCE of the Group, the commencement of operations at 'Cinnamon Life Integrated Resort' will contribute towards a positive ROCE especially given the anticipated boost in tourist arrivals to the country.



Transportation

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	35.2		11.0		2.72		1.18
2021/22	2.2		1.3		1.40		1.16

The significant increase in the ROCE of the Transportation industry group is attributable to an improvement in margins of the Group's Ports and Shipping business, South Asia Gateway Terminals (SAGT) and the Group's Bunkering business, Lanka Marine Services (LMS). LMS recorded a significant increase in revenue and profitability driven by higher margins on account of the steep increase in global fuel oil prices during the first half of the year, as well as higher volumes for the year. Despite the decline in overall volumes at the Port of Colombo, the profitability at SAGT recorded an increase as a result of higher revenue from ancillary operations. Both businesses benefited significantly on account of the steep depreciation of the Rupee. Asset turnover also recorded an increase in tandem with the notable increase in revenue across the industry group.

If the recurring impacts as discussed under the Financial Performance section are adjusted for, the adjusted ROCE of the Transportation industry group would be at 39.8% for 2022/23 and 21.8% for 2021/22.

West Container Terminal (WCT-1)

During the year, Rs.2.72 billion (~USD 7.5 million) of cash equity was infused by the Group as its equity contribution to Colombo West International Terminal (Private) Limited, the project company of WCT-1, to fund the development costs of the project. Cumulative equity infusions to the project stood at Rs.5.58 billion (~USD 17.7 million).

Consumer Foods

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	14.5		7.1		1.46		1.41
2021/22	20.8		12.0		1.19		1.46

Although asset turnover increased in lieu of a notable increase in revenue across all the businesses, EBIT margins deteriorated during the year as a result of rising raw material costs and operating costs which impacted the ROCE of the industry group. Despite the decline in volumes, the higher revenue was in lieu of price increases undertaken across the portfolio to mitigate margin pressure.

Retail

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	17.8		5.3		2.09		1.61
2021/22	17.6		5.4		1.88		1.73

The improvement in the ROCE of the Retail industry group was driven by the Supermarket business. The revenue of the Supermarket business was supported by the substantial price increases undertaken by suppliers on account of inflation, thereby resulting in a higher asset turnover ratio.

The Supermarket business recorded an increase in debt on account of funding working capital requirements during the year.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Leisure

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	1.2		6.6		0.16		1.06
2021/22	(0.1)		(0.2)		0.17		1.10

The ROCE of the Leisure industry group recorded an increase primarily on account of the strong performance in the Maldivian Resorts segment which contributed to a positive EBIT during the year, and to a lesser extent, the Colombo Hotels segment.

Given the near completion of construction works at 'Cinnamon Life Integrated Resort' and the focus and transition on the pre-operational phase of the project with the impending commencement of operations in the third quarter of 2024/25, the assets pertaining to the hotel, retail and entertainment components of the project were transferred to the Leisure industry group. This resulted in a notable increase in the assets of the industry group, which is captured under property, plant and equipment as work-in-progress costs. The property development components of the project, namely, the two residential apartment towers and the commercial tower continue to be recorded under the Property industry group.

In addition, as part of the transition of the components of the 'Cinnamon Life Integrated Resort' project, the syndicate term loan of USD 225 million was recorded under the Leisure industry group, commencing from the third quarter of 2022/23. As a result, there was a substantial increase in the amount of debt attributable to the Leisure industry group.

Cinnamon Life Integrated Resort

During the year, Rs.80.91 billion of cash equity was infused into 'Cinnamon Life Integrated Resort' to finance the development costs of the project.

As at 31 March 2023, the cumulative figures for equity infused stood at Rs.152.45 billion. The cumulative equity investment at the 'Cinnamon Life Integrated Resort' includes the land transferred by JKH and its subsidiaries at the inception of the project. Note that all project related costs including interest costs, unless explicitly mentioned, are capitalised in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS).

In June 2022, Waterfront Properties (Private) Limited repaid the USD 100 million six-month bridging loan facility which was obtained in December 2021 as a part of the refinancing package of the USD 395 million syndicated term loan facility. The USD 100 million facility was obtained to align the refinancing with the original maturity date of July 2022. The loan facility now outstanding at WPL is the USD 225 million syndicated term loan, maturing in December 2026.

Property

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	(0.2)		(6.7)		0.02		1.03
2021/22	1.3		6.9		0.18		1.08

The decline in the ROCE of the Property industry group is attributable to the residential and commercial segments of 'Cinnamon Life Integrated Resort', where the comparative year of 2021/22 included the revenue recognition of all units sold prior to the completion of the residential towers and commercial units. Accordingly, profitability in 2021/22 included Rs.6.30 billion from the handover of the residential apartment units and commercial floors. An inventory of 161 units remains to be sold.

Given the macroeconomic disruptions, 'TRI-ZEN' recorded a slowdown in sales whilst profitability was further exacerbated by an escalation in construction costs due to the steep depreciation of the Rupee and the rise in global commodity prices and freight costs. While the cost escalation impact is allocated to the profit recognition on the project, there was an adjustment in the current year to reflect the cost impact on the sales already recognised in the previous financial years, which affected the current year's profitability somewhat materially.

Given that the review and reporting of the hotel, retail and entertainment components of the project were transitioned to the Leisure industry group, as discussed, only the property development components of the project, namely, the two residential apartment towers and the commercial tower will be recorded under the Property industry group.

Financial Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	33.4		24.3		0.35		3.97
2021/22	26.6		20.7		0.32		4.00

The improvement in ROCE was driven by higher EBIT margins in the Insurance and Banking businesses. The Insurance business was driven by a growth in gross written premiums whilst the Banking business recorded an increase in net interest margins, supported by stringent cost management initiatives.

Other, including Information Technology and Plantation Services

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	6.0		93.6		0.06		1.07
2021/22	5.2		131.0		0.04		1.05

ROCE of the Information Technology sector increased to 23.5% [2021/22: 18.6%] due to an improvement in EBIT margins. The sector recorded strong growth in profitability on account of onboarding new clients and expanding the scope of services.

The notable improvement of the ROCE in the Plantation Services sector to 32.1% [2021/22: 9.8%] was on account of a significant increase in profitability and margins, driven by improved tea prices.

The ROCE of the Holding Company declined marginally on account of an increase in capital employed on account of the issue of convertible debentures to HWIC Asia Fund in August 2022. However, profitability was supported by an increase in interest income driven by higher interest rates and the translation impact on foreign currency interest income, which cushioned the impact of the increase in capital employed, to an extent.

Group Return on Capital Employed

	ROCE (%)	=	EBIT margin (%)	x	Asset turnover	x	Capital structure leverage
2022/23	5.5		10.8		0.43		1.20
2021/22	4.5		8.7		0.39		1.33

Group Return on Equity

	ROE (%)	=	Return on assets (%)	x	Common earnings leverage	x	Equity multiplier
2022/23	5.6		2.6		0.96		2.23
2021/22	7.5		3.3		0.99		2.33

INSIGHTS

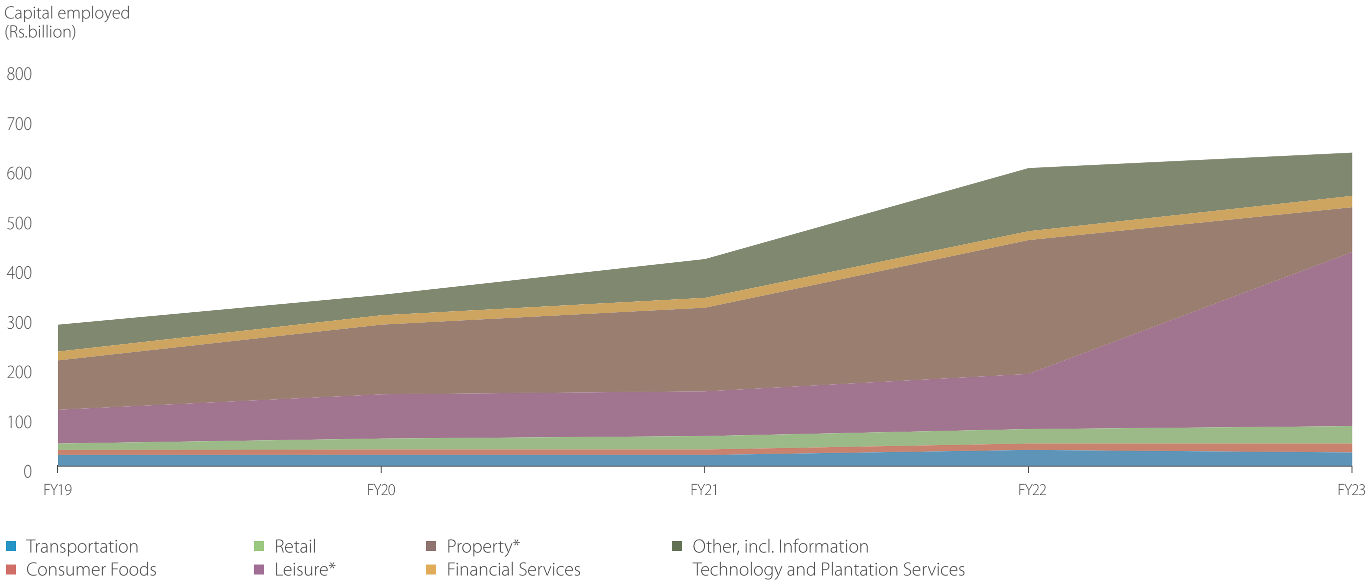
The ROCE of the Other, including Information Technology and Plantation Services industry group has been depressed in the recent years primarily on account of the capital raising at the Holding Company. The foreign currency cash holdings include the funds earmarked for the equity infusions of the 'Cinnamon Life Integrated Resort' project and the funds raised for the Group's investment pipeline via the issue of convertible debentures to HWIC Asia Fund, the debt drawdown from the IFC term loan facility and the private placement of ordinary shares to ADB.

Whilst the cash balance of the Group is currently generating returns below the Group's hurdle rate exerting pressure on Group ROCE, the presence of adequate cash reserves enables the Group to manage its liquidity requirements better, particularly in navigating operations and investments in the event of macroeconomic disruptions.

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.

PORTFOLIO MOVEMENTS

Portfolio movements over the past five years are illustrated below.



During the year under review, the assets pertaining to the hotel, retail and entertainment components of 'Cinnamon Life Integrated Resort' were transferred to the Leisure industry group from the Property industry group.

STRATEGY, RESOURCE ALLOCATION AND PORTFOLIO MANAGEMENT

Significant Movements of the Portfolio and Capital Employed

	2019/20	2020/21	2021/22	2022/23
Investments	Invested Rs.10.35 billion in Waterfront Properties (Private) Limited.	Invested Rs.8.42 billion in Waterfront Properties (Private) Limited.	Invested Rs.13.55 billion in Waterfront Properties (Private) Limited.	**Invested Rs.80.91 billion in Waterfront Properties (Private) Limited.**
	Invested Rs.95.4 million in Nations Trust Bank PLC to purchase 1.15 million non-voting shares.	Invested Rs.5.98 billion in JK Land (Private) Limited, increasing the shareholding in Vauxhall Land Developments (Private) Limited to 86.7% from 60.0%. Committed to infuse a further Rs.2.99 billion by 24 September 2021 to fully acquire Vauxhall Land Developments (Private) Limited.	Invested Rs.1.94 billion in JK Land (Private) Limited. Further to this, JK Land acquired the remaining 13.3% equity stake in Vauxhall Land Developments (Private) Limited for a consideration of Rs.2.99 billion.	**Invested Rs.2.72 billion in Colombo West International Container Terminal (Private) Limited.**
	KHL invested Rs.466 million in Ceylon Holiday Resorts Limited for the refurbishment of 'Cinnamon Bentota Beach' Bentota.	Invested Rs.215 million in preference shares in Saffron Aviation (Private) Limited.	Invested Rs.2.86 billion in Colombo West International Container Terminal (Private) Limited.	
	KHL invested Rs.145 million in Indra Hotels and Resorts Kandy (Private) Limited, for the preliminary construction work of 'Cinnamon Red Kandy'.	KHL further invested Rs.105 million in Indra Hotels and Resorts Kandy (Private) Limited, for the construction work of 'Cinnamon Red Kandy'.	Invested Rs.74 million in preference shares in Saffron Aviation (Private) Limited.	
			Invested Rs.16 million in Inchcape Mackinnon Mackenzie Shipping (Private) Limited.	
Divestments			Divested 98.88 perches of land in Tickell Road, Colombo 8, for a consideration of Rs.1.14 billion.	
			Divested 2.66 acres of land held under KHL in Nuwara Eliya, for a consideration of Rs.362 million.	

SHARE INFORMATION

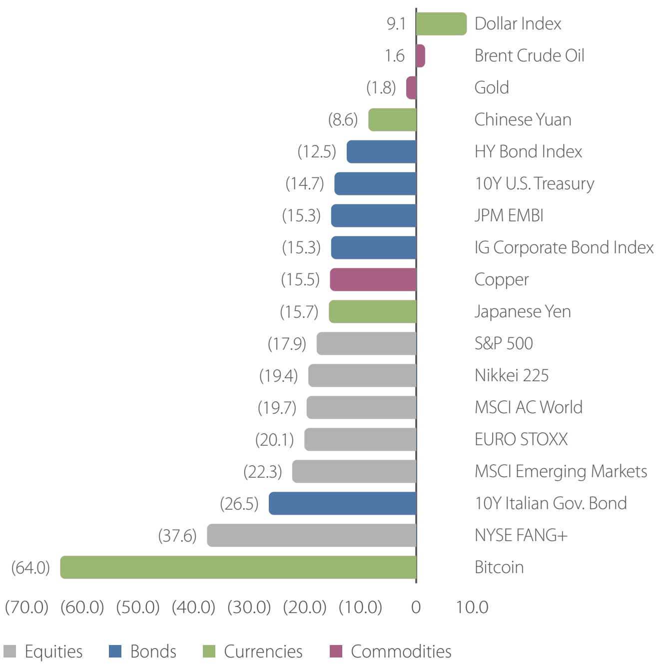
This section entails an overview of the market conditions which prevailed during the year under review, both globally and locally. The section concludes with a discussion on JKH share-related information.

Total number of shares in issue as at 31/03/2023	1,384,916,632
Public shareholding as at 31/03/2023	98.51%
Stock symbol	JKH.N0000
Newswire Codes of the JKH Share	
Bloomberg	JKH.SL
Dow Jones	P.JKH
Reuters	JKH.CM
Global Depositary Receipts (GDR) balance	1,320,942

GLOBAL AND LOCAL MARKET REVIEW

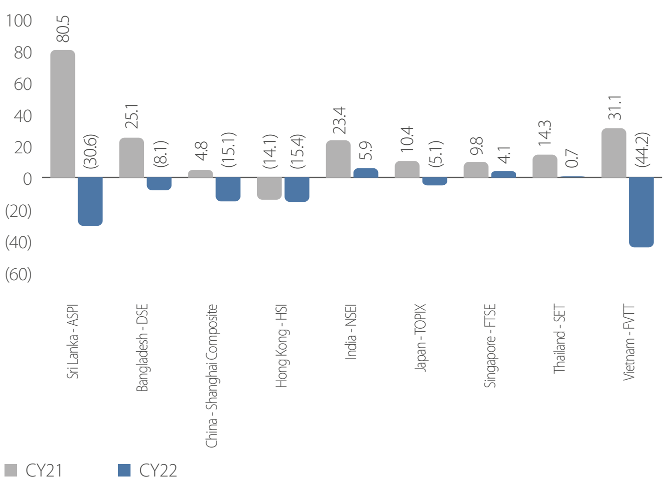
Global equity markets witnessed notable turbulence in CY2022, on the back of geopolitical tensions such as Russia's invasion of Ukraine and concerns over inflation which compelled most major central banks to adopt contractionary monetary policies. Accordingly, the S&P 500 noted its lowest annual performance since the 2008 financial crisis recording a decline of 18.1%. The Nasdaq Composite and Dow Jones Industrial Average indices declined by 32.4%, and 6.9% respectively. The MSCI World Index followed a similar trend, recording a loss of 21.8%, while Japan's Nikkei 225 dropped by 9.4%, marking its first yearly decline in four years. China's Shanghai Composite Index decreased by 15.1%, and Europe's STOXX 600 Index fell by 12.8%, representing its lowest performance since 2018.

Seismic Shifts in Asset Classes
(2022 YTD performance: %, end-of-week)



Source: Refinitiv Datastream | Reuters, 20 Dec 2022 | By Pasit Kongkunakornkul

Regional Market Performance
(%)



The All Share Price Index (ASPI) and the Standard and Poor's Sri Lanka 20 (S&P SL20) Index of the Colombo Stock Exchange (CSE) followed a similar trend to global equities in CY2022. Accordingly, as of the end of CY2022, the ASPI and S&P SL20 closed at 8,490 and 2,636 points, representing losses of 30.6% and 37.7%, respectively, for the calendar year. Both indices underperformed its regional peers due to the domestic macroeconomic crisis and volatility on the social and political landscape, which contributed to dampened investor sentiment and outflows of foreign funds.

However, the CSE witnessed a gradual reversal in trends from the beginning of CY2023, in tandem with better stability and clarity on the macroeconomic landscape which included the implementation of certain much needed reforms and the successful securing of the ~USD 3 billion bailout package from the International Monetary Fund. The market also recorded an encouraging increase in foreign inflows. In this light, the ASPI closed at 9,301 points as at 31 March 2023. During 2022/23, total net foreign inflows were recorded at Rs.17.82 billion during the year compared to a total net foreign outflow of Rs.36.65 billion last year. Market price to earnings ratio (PER) decreased to 5.0 times in 2022/23 [2021/22: 8.8 times].

	31 March 2023	31 March 2022	%
Overall CSE market capitalisation (Rs.billion)	3,903.54	3,826.50	2
Net foreign inflows/(outflows) (Rs.billion)	17.82	(36.65)	149
Average daily turnover (Rs.million)	2,087.08	4,754.93	(56)

SHARE INFORMATION

Although further headway needs to be made on the state-owned enterprise (SOE) reforms and normalisation of the macroeconomic landscape, which may present short-term volatility in the equity market, the Group remains confident in Sri Lanka's growth prospects in the medium to long-term, given the significant steps that have been taken in the recent past to achieve economic stability.

Refer the Outlook section for a detailed discussion - Page 135.

Key Regulatory Highlights for the Year

- Further to the enactment of the new Securities and Exchange Commission (SEC) Act No. 19 of 2021 and the aim of facilitating complex instruments while protecting non-sophisticated investors, the SEC released new rules for market institutions and intermediaries, and a code for collective investment schemes. This covers aspects such as licensing procedures, minimum financial and infrastructure requirements, compliance and internal controls.
- CSE enacted a change in the S&P SL20 index constituents at the 2022 year-end rebalance in line with the S&P Dow Jones Indices.
- The CSE Listing Rules were amended to facilitate the listing and trading of green bonds and perpetual debt securities.
- Effective 1 October 2022, withholding tax (WHT) was re-introduced at 15% for dividends paid after 1 January 2023.

Indices

31 March	Value		%
	2023	2022	
MSCI			
All Country World Index	646.76	711.56	(9)
All Country World Index excluding USA	298.68	323.59	(8)
World (23 Developed markets)	2,791.44	3,053.07	(9)
USA	3,904.80	4,338.85	(10)
Europe	1,902.85	1,927.37	(1)
Europe, Australasia and Far East	2,092.60	2,181.63	(4)
Emerging Markets	990.28	1,141.79	(13)
Frontier Markets	483.76	608.04	(20)
Peer			
SENSEX	58,991.52	58,568.51	1
JKSE	6,805.28	7,071.44	(4)
STI	3,258.90	3,408.52	(4)
KLSE	1,429.48	1,587.36	(10)
Local			
ASPI	9,301.09	8,845.98	5
S&P SL20	2,682.83	3,031.16	(11)

Market Information of the Ordinary Shares of the Company

	Q4	Q3	Q2	Q1	2022/23	2021/22
Share Information						
High (Rs.)	146.00	150.00	157.00	170.00	170.00	167.50
Low (Rs.)	134.50	127.50	118.50	116.25	116.25	129.00
Close (Rs.)	140.00	135.25	137.25	122.00	140.00	145.00
Dividends paid per share (Rs.)	0.50	1.00	-	0.50	2.00	1.50
Trading Statistics						
Number of transactions	7,244	9,092	15,048	4,797	36,181	65,116
Number of shares traded ('000)	61,743	45,324	64,801	12,713	184,582	272,599
Value of all shares traded (Rs.million)	8,717	6,152	8,304	1,632	24,805	40,522
Average daily turnover (Rs.million)	141	103	128	33	105	169
Percentage of total market turnover (%)	7.4	5.1	4.3	2.3	5.0	3.5
Market capitalisation (Rs.million)	193,888	187,310	190,080	168,960	193,888	200,813
Percentage of total market capitalisation (%)	5.0	3.4	4.5	4.9	5.0	5.2

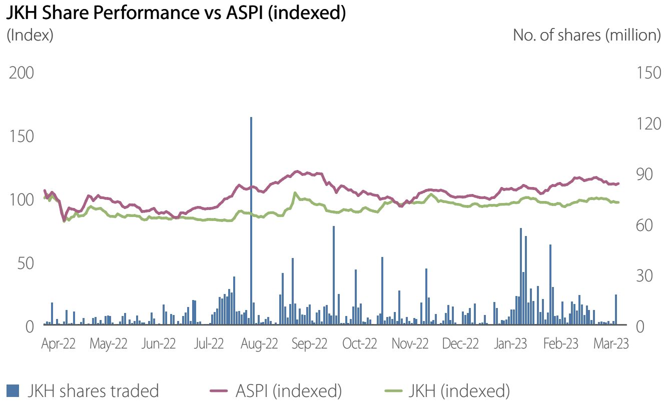
Note: The number of shares in issue remained static at 1,385 million shares in 2022/23.

JKH SHARE

The graph below illustrates that the JKH share is currently at a decade-low, barring the period where the equity market was impacted by the Covid-19 pandemic in mid-CY2020.

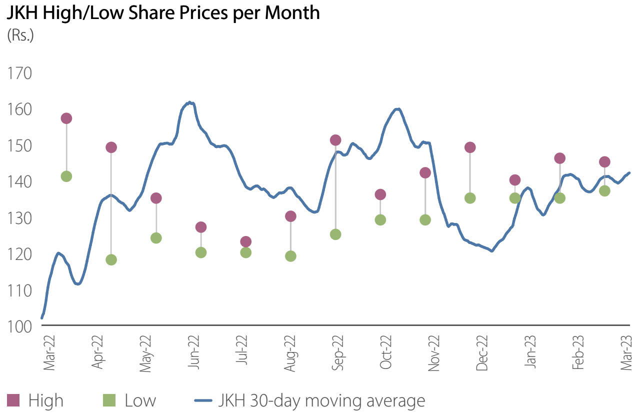
JKH Share Price

JKH Share Performance vs ASPI (indexed)



The JKH share decreased by 3.4% to Rs.140.00 as at 31 March 2023 from Rs.145.00 as at 31 March 2022.

JKH High/Low Share Prices per Month



JKH Beta

The beta of the JKH share as of 31 March 2023 stood at 0.61. The beta is calculated based on the daily JKH share movements against movements of the ASPI for the five-year period commencing 2 April 2018 to 31 March 2023. The compounded annual growth rate (CAGR) of the JKH share over the five-year period stood at a negative 2.5%, compared to that of the market which stood at 7.6% for the same period.

ISSUED SHARE CAPITAL

The number of shares in issue by the Company remained unchanged during the year under review at 1,384,916,632 shares as at 31 March 2023. The Global Depository Receipts (GDRs) balance in ordinary share equivalent remained at 1,320,942 shares.

Private Placement of Convertible Debentures to HWIC Asia Fund

As announced to the CSE, the Company concluded the issuance of convertible debentures amounting to Rs.27.06 billion on 12 August 2022, by way of a private placement of LKR denominated securities to HWIC Asia Fund (HWIC), a subsidiary of Fairfax Financial Holdings Limited, Canada. Accordingly, 208,125,000 Sri Lankan Rupee denominated unrated, unlisted, unsecured convertible debentures were issued to HWIC at an issue price of Rs.130 per debenture.

The debentures have a maturity period of three years and will accrue interest at a rate of 3% per annum. The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period from 12 February 2024 to 12 August 2025.

Based on the above, the maximum number of ordinary shares that would potentially be issued under the conversion of the Debentures would be 208,125,000 ordinary shares. If all debentures are converted, this will result in a post-conversion dilution of 13.06% based on the number of ordinary shares outstanding as at March 2023.

As outlined in the Circular to the Shareholders dated 6 July 2022, the proceeds from the issue are envisaged to be used to support the Company's investment and financing obligations, particularly in terms of managing the foreign currency linked funding requirements in investments such as the West Container Terminal in the Port of Colombo.

Private Placement of Ordinary Shares with attached Options to the Asian Development Bank (ADB)

As detailed in the 2021/22 Annual Report, in November 2021, the Company raised funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to ADB in two phases. In January 2022, the first phase of the above transaction was completed whereby JKH issued 65,042,006 ordinary shares at Rs.154.50 per share to ADB for a consideration of the LKR equivalent of USD 50 million.

Additionally, in terms of the second phase, the Company also issued non-tradable/non-transferable options, entitling ADB to subscribe for additional 39,025,204 new ordinary shares of the Company, for an investment amount of up to a maximum of the LKR equivalent of USD 30 million. The option exercise price was anchored to the volume weighted average price of the Company's ordinary shares as quoted on the CSE during the 90 calendar days ending immediately prior to the option exercise date, subject to the floor and cap price of Rs.165.00 and Rs.200.00, respectively. The options which were exercisable between 19 October 2022 and 18 January 2023, expired on 19 January 2023, without being exercised.

As outlined in the Circular to the Shareholders dated 29 November 2021, the funds raised through this were utilised in line with the use of proceeds.

DIVIDEND

Despite the unprecedented operating conditions which prevailed during the year under review, the Company paid two interim dividends of Rs.1.00 and Rs.0.50 per share in December 2022 and March 2023, respectively.

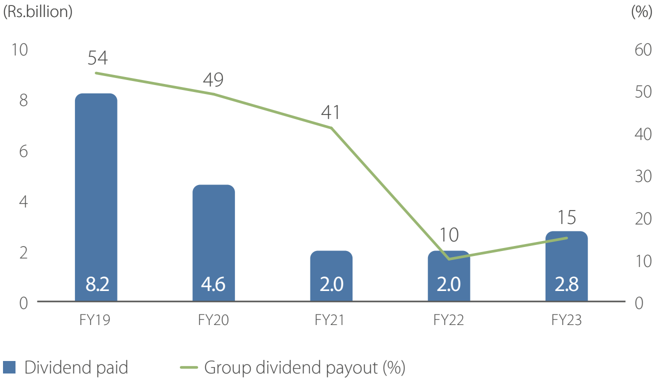
Whilst the Group recorded a growth in core operating profits despite the substantial EBITDA recognition of Rs.6.30 billion from the revenue of the handover of the residential apartment units and commercial floors at 'Cinnamon Life Integrated Resort' in 2021/22, compared to the absence of corresponding recognition in the current year, given the macroeconomic environment which could result in stresses on operating performance and cash flows and the pipeline of strategic investments such as 'Cinnamon Life Integrated Resort' and the WCT-1 project, the final dividend for 2022/23 was maintained at Rs.0.50 per share.

Accordingly, the dividend declared for 2022/23 is Rs.2.00 per share [2021/22: Rs.1.50 per share].

The Company payout ratio for 2022/23 is 19% with a total dividend outlay of Rs.2.77 billion [2021/22: Rs.2.01 billion]. The Group payout ratio was at 15% for 2022/23 [2021/22: 10%].

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

Distributions to Shareholders and Payout Ratio



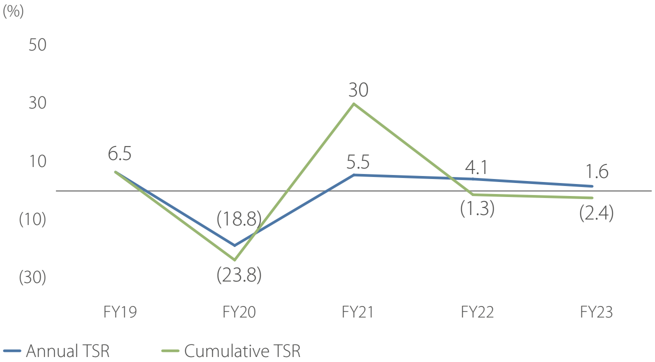
EARNINGS PER SHARE

The fully diluted earnings per share (EPS) for the financial year decreased by 13.2% to Rs.13.12 per share [2021/22: Rs.15.12] due to a decrease in total profit attributable to equity holders. On a recurring earnings basis, the diluted EPS decreased to Rs.9.63 in the current financial year from Rs.15.27 recorded in the previous financial year, thus representing a 37.0% decrease.

TOTAL SHAREHOLDER RETURN

The total shareholder return (TSR) of the JKH share stood at a negative 2.4% for the period under review, while the total return index of the S&P SL20 recorded a return of a negative 2.8%. On a cumulative basis, over a five-year holding period, the share inclusive of dividends, posted an annualised total return of 0.3%.

Total Shareholder Return



Note: Includes the proportionate impact arising from the Share Repurchase in 2018/19.

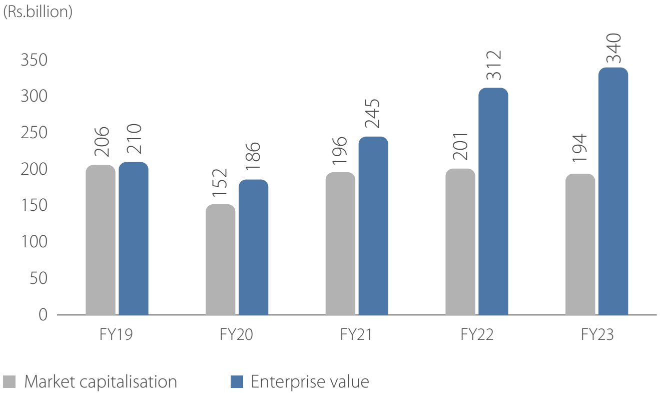
MARKET CAPITALISATION AND ENTERPRISE VALUE

The market capitalisation of the Company decreased by 3.4% to Rs.193.89 billion as at 31 March 2023 [2021/22: Rs.200.81 billion] driven by a decline in the Company share price. As at the financial year end, JKH represented 5.0% of the total market capitalisation of the CSE [2021/22: 5.2%].

The enterprise value of the Group increased by 14.6% to Rs.357.61 billion as at 31 March 2023 [2021/22: Rs.311.95 billion].

As at 31 March 2023, JKH had a float-adjusted market capitalisation of Rs.191.00 billion and 15,099 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

		2022/23	2021/22	2020/21
Market capitalisation	(Rs.billion)	193.9	200.8	196.0
Enterprise value	(Rs.billion)	357.6	312.0	244.7
EV/EBITDA	(times)	8.0	10.7	15.7
Diluted EPS	(Rs.)	13.1	15.1	3.6
PER	(diluted)	10.7	9.6	41.0
Price to book	(times)	0.6	0.6	0.9
Price/cash earnings	(times)	4.6	4.7	13.2
Dividend yield	(%)	1.4	1.0	1.0
Group dividend payout ratio	(%)	15.2	10.0	41.5
Net assets per share	(Rs.)	248.6	224.8	171.4
TSR	(%)	(2.4)	(1.3)	30.0

Price Earnings Ratio

	2022/23	2021/22
JKH	10.7	9.9
CSE	5.0	8.8
SENSEX	22.2	24.8
KLSE	16.4	16.2
JCI	11.8	16.7
STI	12.6	24.8

Composition of Shareholders

	31 March 2023			31 March 2022		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Non-Resident						
Institutions	73	515,773,768	37	75	492,439,810	36
Individuals	250	10,240,144	1	237	6,975,141	1
Total Non-Resident	323	526,013,912	38	312	499,414,951	36
Resident						
Institutions	720	477,354,563	34	731	465,904,849	34
Individuals*	14,061	381,548,157	28	13,414	419,596,832	30
Total Resident	14,781	858,902,720	62	14,145	885,501,681	64
Total	15,104	1,384,916,632	100	14,457	1,384,916,632	100

Includes directors, spouses and connected parties

Distribution of Shareholders

	31 March 2023				31 March 2022			
	Number of shareholders	%	Number of shares held	%	Number of shareholders	%	Number of shares held	%
Less than or equal to 1,000	10,028	66	2,139,812	0	9,494	66	2,077,696	0
1,001 to 10,000	3,406	23	12,421,138	1	3,376	23	12,204,165	1
10,001 to 100,000	1,297	9	40,535,936	3	1,208	8	38,368,241	3
100,001 to 1,000,000	267	2	79,734,447	6	274	2	87,756,601	6
Over 1,000,001	106	1	1,250,085,299	90	105	1	1,244,509,929	90
Total	15,104	100	1,384,916,632	100	14,457	100	1,384,916,632	100

SHARE INFORMATION

Options Available to Executive Directors under the Employee Share Option Scheme

Year of expiry	Krishan Balendra			Gihan Cooray		
	Granted shares (adjusted)*	Immediately vested	To be vested	Granted shares (adjusted)*	Immediately vested	To be vested
2023/24	450,000	450,000	-	430,000	430,000	-
2024/25	450,000	337,500	112,500	430,000	322,500	107,500
2025/26	450,000	225,000	225,000	430,000	215,000	215,000
2026/27	450,000	112,500	337,500	430,000	107,500	322,500
2027/28	450,000	-	450,000	412,000	-	412,000
Total	2,250,000	1,125,000	1,125,000	2,132,000	1,075,000	1,057,000

** Adjusted for share subdivisions.*

Director's Shareholding

	31 March 2023	31 March 2022
K Balendra*	10,914,400	10,914,400
G Cooray	208,587	208,587
N Fonseka	-	100,000
A Cabraal	250,137	150,137
P Perera	-	-
H Wijayasuriya	-	-
S Coorey	-	-
A Omar**	-	-

**Includes shareholding of spouse.*

***Retired on 27 June 2022.*

Executive Director's Shareholding in Group Companies

	Number of shares as at 31 March 2023	
	K Balendra*	G Cooray
Ceylon Cold Stores PLC	802,320	-
Asian Hotels and Properties PLC	-	10,600
Trans Asia Hotels PLC	-	1,200

**Includes shareholding of spouse.*

Top Twenty Shareholders of the Company

	31 March 2023		31 March 2022	
	Number of shares	%	Number of shares	%
Mr S E Captain	134,044,705	9.68	134,220,895	9.69
Melstacorp PLC	128,917,111	9.31	128,917,111	9.31
HWIC Asia Fund	119,200,760	8.61	119,200,760	8.61
Paints and General Industries Limited	100,717,931	7.27	140,437,428	10.14
Asian Development Bank	65,042,006	4.70	65,042,006	4.70
Citigroup Global Markets Limited Agency Trading Prop Securities A/C	61,904,939	4.47	61,904,939	4.47
Schroder International Selection Fund	44,418,290	3.21	41,974,590	3.03
CIC Holdings PLC	35,338,032	2.55	-	-
Aberdeen Standard Asia Focus PLC	33,398,572	2.41	28,123,572	2.03
Norges Bank Account 2	31,901,605	2.30	31,901,605	2.30
Sri Lanka Insurance Corporation Limited - Life Fund	21,846,511	1.58	12,270,665	0.89
Mr Kandiah Balendra	19,511,476	1.41	19,511,476	1.41
Employees Trust Fund Board	18,499,897	1.34	18,499,897	1.34
Mrs C S De Fonseka	17,606,991	1.27	17,472,745	1.26
Edgbaston Asian Equity Trust	17,520,023	1.27	15,142,109	1.09
Fidelity Fund - Pacific	15,244,082	1.10	17,880,904	1.29
Mrs S A J De Fonseka	15,204,230	1.10	15,204,230	1.10
Polypak Secco Limited	14,937,924	1.08	-	-
Chemanex PLC	13,105,475	0.95	12,605,234	0.91
Sunsuper Superannuation Fund	11,587,196	0.84	-	-

Employee Share Option Plan as at 31 March 2023

	Date of grant	Employee category	Shares granted	Expiry date	Option grant price (Rs.)	Shares adjusted[2]	Exercised	Cancelled[2]		Expired	Outstanding			
								Due to resignations	Due to performance		Total	Vested	Unvested	End/ current price[2] (Rs.)
PLAN 9	03.07.2017		10,402,204	02.07.2022	173.25	10,402,204	-	1,419,827	200,337	8,782,040	-			173.25
Award 2[3]		GEC[1]	2,865,000			3,215,000		-	-	3,215,000	-			
		Other Executives	7,537,204			7,187,204		1,419,827	200,337	5,567,040	-			
PLAN 9	22.06.2018		10,381,395	21.06.2023	154.10	10,381,395	27,798	1,607,680	211,417		8,534,500	8,534,500	-	154.10
Award 3[4]		GEC[1]	2,615,000			3,110,000		-	-		3,110,000	3,110,000	-	
		Other Executives	7,766,395			7,271,395	27,798	1,607,680	211,417		5,424,500	5,424,500	-	
PLAN 10	01.07.2019		6,568,000	30.06.2024	136.97	6,568,000	77,000	446,000	122,250		5,922,750	4,717,750	1,205,000	136.97
Award 1[5]		GEC[1]	2,460,000			2,590,000		-	-		2,590,000	2,117,500	472,500	
		Other Executives	4,108,000			3,978,000	77,000	446,000	122,250		3,332,750	2,600,250	732,500	
PLAN 10	19.10.2020		6,557,100	30.06.2025	132.86	6,557,100	91,175	245,200	-		6,220,725	3,455,950	2,764,775	132.86
Award 2[6]		GEC[1]	2,230,000			2,430,000		-	-		2,430,000	1,390,000	1,040,000	
		Other Executives	4,327,100			4,127,100	91,175	245,200			3,790,725	2,065,950	1,724,775	
PLAN 10	16.08.2021		6,585,800	30.06.2026	136.64	6,585,800	-	198,500	-		6,387,300	1,891,900	4,495,400	136.64
Award 3[7]		GEC[1]	2,205,000			2,205,000		-	-		2,205,000	551,250	1,653,750	
		Other Executives	4,380,800			4,380,800		198,500			4,182,300	1,340,650	2,841,650	
PLAN 11	26.07.2022		6,906,600	30.06.2027	121.91	6,906,600	-	61,000	-		6,845,600	111,000	6,734,600	121.91
Award 1		GEC*	2,115,000			2,115,000		-	-		2,115,000	-	2,115,000	
		Other Executives	4,791,600			4,791,600		61,000			4,730,600	111,000	4,619,600	
PLAN 11	26.01.2023		1,369,700	25.01.2028	137.86	1,369,700	-	-	-		1,369,700	-	1,369,700	137.86
Award 2		Other Executives	1,369,700			1,369,700		-	-		1,369,700	-	1,369,700	
Total						48,770,799	195,973	3,978,207	534,004	8,782,040	35,280,575	18,711,100	16,569,475	

1 GEC comprises of the Executive Directors and Presidents
2 Adjusted for Bonus Issues/Right Issues/Sub-divisions
3 Plan 9 (Award 3) - 100% of the options had vested as at 31 March 2023
4 Plan 10 (Award 1) - 75% of the options had vested as at 31 March 2023
5 Plan 10 (Award 2) - 50% of the options had vested as at 31 March 2023
6 Plan 10 (Award 3) - 25% of the options had vested as at 31 March 2023
7 Plan 11 (Award 1) - None of the options had vested as at 31 March 2023 with the exception of retirees
8 Plan 11 (Award 2) - None of the options had vested as at 31 March 2023

SHARE INFORMATION

Share Capital

Year ended 31 March	Number of shares in issue (million)
2012	844.12
2013	857.24
2014	990.29
2015	997.49
2016	1,189.40
2017	1,387.47
2018	1,387.53
2019	1,318.17
2020	1,318.55
2021	1,319.66
2022	1,384.92
2023	1,384.92

GDR History (in terms of ordinary shares, million)

Year ended 31 March	Opening balance	Issued*	Converted/ repurchased	Closing balance
2012	0.95	0.32	0.08	1.19
2013	1.19	-	0.06	1.13
2014	1.13	-	0.01	1.12
2015	1.12	-	-	1.12
2016	1.12	-	-	1.12
2017	1.12	0.2	-	1.32
2018	1.32	-	-	1.32
2019	1.32	-	-	1.32
2020	1.32	-	-	1.32
2021	1.32	-	-	1.32
2022	1.32	-	-	1.32
2023	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)
2013	3.50	2,982,421
2014	3.50	3,266,718
2015	3.50	3,475,947
2016	7.00	8,037,790
2017	5.50	7,280,497
2018	6.00	8,324,983
2019	5.00	8,186,450
2020	2.50	4,614,133
2021	2.00	1,978,317
2022	1.50	2,012,193
2023	2.00	2,769,833

**Dividend declared per share.*

History of Scrip Issues, Rights and Repurchases

Year ended 31 March	Issue	Basis	Number of shares (million)	Ex-date	Cash inflow/ (outflow) (Rs.billion)
2012	Subdivision	4:3	210	30-Jun-2011	N/A
2013	Rights @ Rs.175*	2:13	132	3-Oct-2013	23.1
2016	Subdivision	7:8	143	30-Jun-2015	N/A
2017	Subdivision	7:8	170	30-Jun-2016	N/A
2019	Repurchase @ Rs.160	1:20	69	11-Jan-2019	(11.1)
2022	Private Placement	N/A	65	21-Jan-2022	10.0

** Unadjusted prices.*

2022/23 Financial Calendar

	Date
Three months ended 30 June 2022	27 July 2022
Six months ended 30 September 2022	4 November 2022
Nine months ended 31 December 2022	31 January 2023
Annual Report 2022/23	23 May 2023
44th Annual General Meeting	30 June 2023
First interim dividend paid on	6 December 2022
Second interim dividend paid on	1 March 2023
Final dividend proposed to be paid on	On or before 21 June 2023

2023/24 Financial Calendar

	Date
Three months ended 30 June 2023	On or before 25 July 2023
Six months ended 30 September 2023	On or before 7 November 2023
Nine months ended 31 December 2023	On or before 30 January 2024
Annual Report 2023/24	On or before 30 May 2024
45th Annual General Meeting	On or before 30 June 2024

ADVANCING

GOVERNANCE

In furtherance of Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements. Whilst the section that ensues discusses the key highlights for the year under review and applicable disclosures, the Corporate Website entails a detailed and comprehensive discussion of the below sections.

Corporate Governance Commentary

Entails a discussion of the Group's corporate governance framework, which endeavours to create an enabling environment for growth in a structured, predictable and sustainable manner.

Sustainability Integration, Stakeholder Engagement and Materiality

Provides an overview of the Group's approach and framework towards sustainable development and long-term value creation.

Risks, Opportunities and Internal Controls

Includes a discussion of the key risks faced by the Group. The section also entails an overview of the Group's Enterprise Risk Management framework.

CORPORATE GOVERNANCE COMMENTARY

In furtherance of Group's sustainability and digitisation efforts, coupled with the need to strike a balance between the principles of conciseness and completeness in Integrated Reporting, the Group has used a variety of reporting formats to meet diverse stakeholder requirements.

Whilst the section that ensues discusses the key highlights for the year under review and the mandatory disclosures required under various regulatory frameworks, the Corporate Website entails a detailed and comprehensive discussion of the Group's Corporate Governance Framework.

WWW *www.keells.com/esg/#governance* for detailed Corporate Governance Commentary.

The Group's robust and comprehensive corporate governance framework, endeavours to create an enabling environment for growth in a structured, sustainable and transparent manner. The Group's corporate governance philosophy is institutionalised across all its business units, and it is this philosophy that has continuously created value for all its stakeholders, notwithstanding the external environment and macroeconomic conditions.

The Group's governance framework is supported by internal policies, processes and structures aimed at meeting, and, where possible, exceeding accepted best practice, in addition to the 'triggers' which ensure compliance with mandatory regulatory requirements. This framework is regularly reviewed and updated to reflect global best practice, evolving regulations, and dynamic stakeholder needs, while maintaining its foundational principles of accountability, participation, integrity and transparency.

KEY GOVERNANCE HIGHLIGHTS

- During the year, the Group conducted the 'Great Place To Work' (GPTW) survey among all its employees. GPTW survey is conducted by the Great Place To Work Institute and seeks to provide a comprehensive insight into how employees perceive the culture, structure, and management of an organisation, among others. The feedback received from this exercise will be used towards crafting an inclusive and more cohesive workplace, which will in turn drive productivity across the Group.
- As a part of the Group's ongoing efforts towards increasing emphasis on environmental, social and governance (ESG) aspects, the Group, in liaison with an international third-party consulting firm, embarked on re-formulating the Group's ESG framework, setting revised Group-wide ESG ambitions and translating such ambitions to ESG related targets. This exercise is expected to ensure enhanced alignment between the different ESG strategies of the Group's business units, culminating in a holistic ESG strategy and roadmap for the Group.

COMPLIANCE SUMMARY

Regulatory Benchmarks

Standard / Principle / Code	Adherence
The Companies Act No.7 of 2007 including regulations	Mandatory provisions - fully compliant
Listing Rules of the Colombo Stock Exchange (CSE), including circulars	
Securities and Exchange Commission of Sri Lanka (SEC) Act No. 19 of 2021, including rules, regulations, directives and circulars	
Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)	
Code of Best Practice on Corporate Governance (2013) jointly advocated by the SEC and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)	Voluntary provisions - fully compliant
Code of Best Practice on Corporate Governance (2017) issued by CA Sri Lanka	Voluntary provisions - compliant with the 2017 Code to the extent of business exigency and as required by the John Keells Group

Key Internal Policies

- Articles of Association of the Company
- Recruitment and selection policies
- Learning and development policies
- Policies on equal opportunities, non-discrimination, career management and promotions
- Rewards and recognition policy
- Leave, flexi-hours, tele-working and agile working policies including health and safety enhancements and protocols
- Code of conduct which also includes policies on gifts, entertainment, facilitation payments, proprietary and confidential information
- Policies on diversity, equity and inclusion, including a gender policy
- Policy against sexual harassment
- Policies on forced, compulsory and child labour and child protection
- Disciplinary procedure
- Policy on grievance handling
- Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism
- Policy on communications and ethical advertising
- Ombudsperson policy
- Group accounting procedures and policies
- Policies on enterprise risk management
- Policies on fund management and foreign exchange risk mitigation
- IT policies and procedures, including data protection, classification and security
- Group sustainability, environmental and economic policies
- Whistleblower policy
- Policies on energy, emissions, water and waste management
- Policies on products and services
- Policy on bidding for contracts, including on Government contracts

CORPORATE GOVERNANCE COMMENTARY

- Select Group policies related to ESG areas were further enhanced in line with best practice advocated by internationally reputed institutions such as the Asian Development Bank and International Finance Corporation, particularly given their focus on development impacts and positive externalities.
- JKH was ranked first in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for the third consecutive year, with a 100% score for transparency in disclosure practices. This ranking is based on an assessment of corporate disclosure practices among the top 100 companies listed on the Colombo Stock Exchange, under four different thematic areas crucial to fighting and preventing corruption:
    - reporting on anti-corruption programmes,
    - transparency in company holdings,
    - disclosure of key financial information in domestic operations and
    - disclosure on gender and non-discrimination policies.
- In November 2022, the Group recorded the Policy for bidding on contracts and tenders, which entails a standardised set of guidelines for bidding, including to those of local and foreign Governments and related bodies.

Policy for bidding on contracts and tenders

- The Policy for bidding on contracts and tenders, is a step towards promoting organisational transparency and consistent organisational behaviour. Whilst Group companies are required to adhere to local statutory provisions and Government procurement guidelines and meet the requirements stipulated in the request for proposal/guidance notes specified in the contracts/tenders, the policy also requires the bidding entity within the Group to adhere to all Group policies including the Code of Conduct, anti-corruption, anti-bribery and anti-money laundering and gift policies.
- This policy applies to all Group companies and, as applicable, to consultants, agents, representatives, and supply chain partners.

- During the year under review, the Group further strengthened its Policy on gifts and entertainment to include a reporting and monitoring mechanism for all gifts or benefits received or given. Accordingly, all gifts or benefits of a value above USD 50 per gift if given or received, based on business exigencies, are monitored to ensure conformance with the Group's policies. Such exceptions are required to be reported to the respective Finance Head of the business, where, in turn, these are collated and monitored centrally.
- The following key initiatives and targets were rolled-out, in furtherance of the Group's emphasis on creating an inclusive, diverse and equitable work environment;
    - The Group introduced an equal 100 days of maternity and paternity days as parental leave at the birth or adoption of a child. In this regard, while the Group will continue to offer 100 days of maternity leave on the birth or adoption of a child, the five days of paternity leave was enhanced to 100 days, ensuring equity, and recognising the importance of both parents' roles in early childcare.
    - As noted in previous Annual Reports, the Group has set a goal of increasing women participation in its employee cadre up to 40% by the end of 2025/26. In this regard, female participation as at the end of the year stood at 33% [2021/22: 33%].
    - The Group also adopted gender-neutral terminology with the objective of avoiding word choices which may be interpreted as biased, discriminatory or demeaning and with the intention of being inclusive of gender non-binary persons.
    - As a first step to developing a focused strategy around increasing career opportunities for persons with disabilities (PWDs), a tri-lingual survey to understand the needs and perceptions of PWDs was launched. This was one aspect of a structured phased-out roadmap, which includes identifying roles across the Group that can provide opportunities for PWDs with reasonable accommodation, the appointment of supported employment officers, conducting job mapping and awareness sessions by industry experts.
- The Group continued to strengthen its Fraud Deterrent and Investigation Framework which provides an integrated platform for handling all aspects of fraud and stakeholder assurance. This framework reinforces uniformity across common processes, employs a data-driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against fraud.
- In August 2022, the Company concluded the issuance of unlisted, unsecured, LKR denominated convertible debentures amounting to Rs.27.06 billion, through a private placement to HWIC Asia Fund, a subsidiary of Fairfax, Canada. The coupon interest payable on the debenture is at 3% per annum.

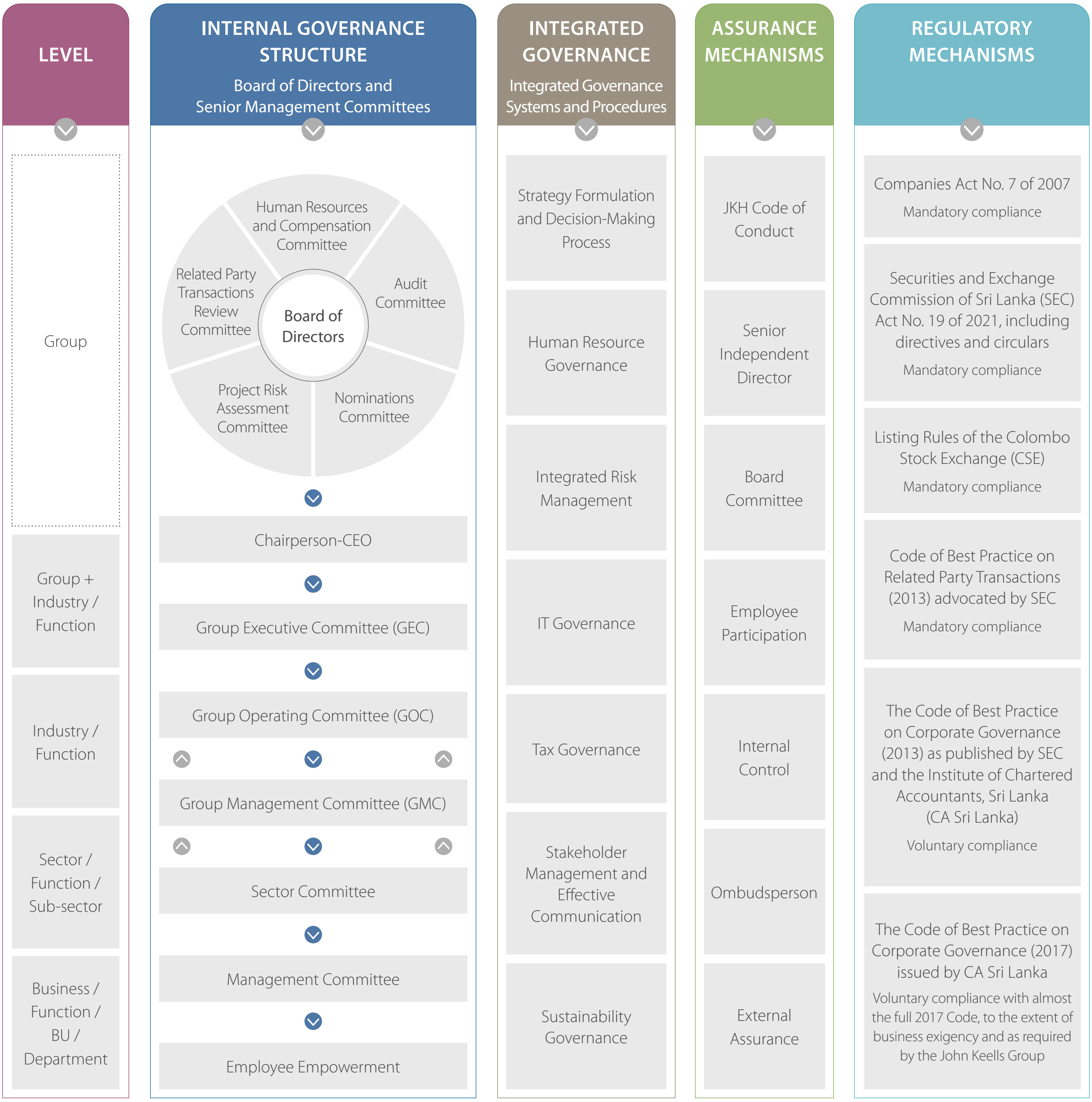
*Refer the Financial and Manufactured Capital Review for further details - **Page 81**.*

- The 39,025,204 options issued to the Asian Development Bank under the second phase of the private placement expired on 19 January 2023, without the options being exercised.
- Given the significant macroeconomic challenges and developments prevalent in the country – the Board of Directors and the Group Executive Committee (GEC) frequently deliberated and evaluated the resilience of the Group under multiple stress-tested scenarios.
    - Cognisant of the economic hardships faced by the Group employees on account of rising prices and the scarcity of essential items, JKH provided a one-off, uniform financial care package in the form of an ex-gratia payment, to all eligible Group employees during the month of April 2022.
    - A monthly temporary crisis allowance was introduced to all Group employees with effect from January 2023, to assist in mitigating the impacts of the rapidly elevated cost of living, impacts of taxes and high inflationary environment, among others.
    - A set of initiatives and programmes in the form of non-financial and indirect financial support were rolled-out. These included awareness sessions and webinars on managing personal finances in the current economic climate, emotional support with counsellors and employee supplier catalogues to name a few.
- Having completed nine consecutive years, Mr. A Omar retired from the Board of Directors with effect from 27 June 2022.
- With effect from 1 January 2023, Dr. S Coorey was appointed to the Board as an Independent, Non-Executive Director of the Company.
- The Board declared a final dividend of Rs.0.50 per share in June 2022 for the financial year 2021/22. For the year under review, the Board declared a first interim dividend of Rs.1.00 per share in November 2022 and a second interim dividend of Rs.0.50 per share in January 2023.

THE CORPORATE GOVERNANCE SYSTEM

The diagram below illustrates the key components of the Corporate Governance System of the John Keells Group. It depicts the internal governance structure, from the Board of Directors cascading down to employee level, the integrated governance systems and procedures within the Group, the Assurance Mechanisms in place and the various regulatory frameworks the Group is compliant with from a Governance standpoint.

A detailed discussion of each of the components shown below is found on the corporate website.



- All five Board Sub-Committees are chaired by Independent Directors appointed by the Board.
- The Chairperson-CEO is present at all Human Resources and Compensation Committee meetings unless the Chairperson-CEO's performance assessment or remuneration is under discussion. The Deputy Chairperson/Group Finance Director is invited as necessary.
- Audit Committee meetings are attended by the Chairperson-CEO and the Deputy Chairperson/Group Finance Director. The Head of Group Business Process Review, External Auditors and the Group Financial Controller are regular attendees.
- The GOC acts as the binding agent to the various businesses within the Group towards identifying and extracting Group synergies.
- Only the key components are depicted in the diagram.

BOARD OF DIRECTORS

Board Composition

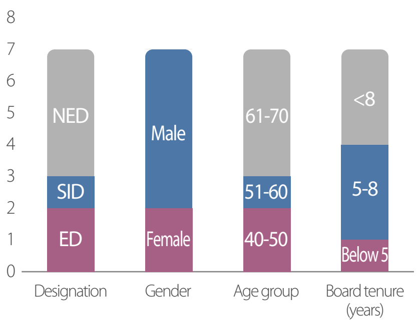
As at 23 May 2023, the Board comprised of seven Directors, with five of them being Non-Executive Independent Directors.

Non-Executive Independent Directors add imperative value to strategic discussions and decision-making, whilst enhancing fair-mindedness. The Group policy is to maintain a healthy balance between the Executive, Non-Executive and Independent Directors, in keeping with the applicable rules and codes, with the Executive Directors bringing in deep knowledge of the businesses and the Non-Executive Independent Directors bringing in experience, objectivity and independent oversight.

The key changes to the Board composition during the year under review are as follows:

- Dr. S Coorey was appointed to the Board with effect from 1 January 2023 as an Independent, Non-Executive Director.
- Mr. A Omar retired from the Board with effect from 27 June 2022, having completed nine consecutive years on the Board.

The current composition of the JKH Board is illustrated as follows:



Note: The Board having noted that Mr. N Fonseka have attained the age of 70 years and retire in terms of Section 210 of the Companies Act, has recommended the passing of ordinary resolutions at the Annual General Meeting of the Company which propose that the age limit stipulated in Section 210 of the Companies Act shall not apply to Mr. A N Fonseka and he be re-elected as a Director of the Company.

Board Skills

Collectively, the Board brings in a wealth of diverse exposure in the fields of management, business administration, banking, finance, economics, taxation, marketing and human resources. All Directors possess the skills, expertise and knowledge complemented with a high sense of integrity and independent judgement.

The Group is also conscious of the need to maintain an appropriate mix of skills and experience in the Board through a regular review of its composition in order to ensure that the skills representation is in alignment with current and future needs of the Group.

Profiles of the Board of Directors

KRISHAN BALENDRA

Chairperson N P ED

Krishan Balendra is the Chairperson-CEO of John Keells Holdings PLC. He is also the Chairman of the Employers Federation of Ceylon, Deputy Vice Chairman of the Ceylon Chamber of Commerce and the Hon. Consul General of the Republic of Poland in Sri Lanka. He is a former Chairman of Nations Trust Bank and the Colombo Stock Exchange. Krishan started his career at UBS Warburg, Hong Kong, in investment banking, focusing primarily on equity capital markets. He joined JKH in 2002. Krishan holds a law degree (LLB) from the University of London and an MBA from INSEAD.

GIHAN COORAY

Deputy Chairperson/Group Finance Director P ED

Gihan Cooray is the Deputy Chairperson/Group Finance Director and has overall responsibility of the Group's Finance and Accounting, Taxation, Corporate Finance and Strategy, Treasury, Information Technology and Corporate Communications functions. He was the Chairman of Nations Trust Bank PLC till 30 April 2023. Gihan holds an MBA from the Jesse H. Jones Graduate School of Management at Rice University, Houston, Texas. He is a Fellow member of the Chartered Institute of Management Accountants, UK, a certified management accountant of the Institute of Certified Management Accountants, Australia and has a Diploma in Marketing from the Chartered Institute of Marketing, UK. He serves as a committee member of The Ceylon Chamber of Commerce.

AMAL CABRAAL

Non-Executive Director A H N R

Amal Cabraal is an accomplished business leader with over four decades of management experience in both local and international markets. He currently serves as the Chairman of Lion Brewery (Ceylon) PLC, Ceylon Beverage Holdings PLC, Silvermill Investment Holdings, and CIC Feeds Group of Companies. In addition to his numerous leadership roles, he also serves as a Non-Executive Director of John Keells Holdings PLC and is a business advisor to several other companies. Previously, Cabraal served as the Chairman and Chief Executive Officer of Unilever Sri Lanka, where he gained extensive knowledge and expertise in the consumer goods industry. He has also completed the stipulated maximum nine-year tenure as a Non-Executive Director of Hatton National Bank PLC, providing him with deep insights into the banking sector. Cabraal is a member of the Board of the Ceylon Chamber of Commerce, and also serves on the Management Committee of the Mercantile Services Provident Society. As a marketer by profession and a Fellow of the Chartered Institute of Marketing, UK, he brings a wealth of marketing and branding expertise to his leadership roles. Cabraal holds an MBA from the University of Colombo, and is an executive education alumnus of INSEAD, France.

DR. SHARMINI COOREY

Non-Executive Director

Dr. Sharmini Coorey is a former senior official of the International Monetary Fund (IMF) and currently a member of the Presidential Advisory Group on Multilateral Engagement and Debt Sustainability advising the Government of Sri Lanka during the economic crisis. She joined the IMF through the Economist Programme in 1986 and, during her 35 year career there, worked in positions of increasing seniority in its African, Asia and Pacific, European, and Western hemisphere departments, as well as its Policy Development and Review Department. Prior to her retirement in November 2021, Dr. Coorey served for almost nine years as the Director of the Institute for Capacity Development (ICD), the IMF's department for capacity building. As Director - the most senior staff-level position at the IMF - she was instrumental in establishing the ICD and providing strategic direction for the governance, management, and funding of the IMF's capacity building activities. She also oversaw the IMF's training for country officials worldwide and established its online programme which trained over 100,000 Government officials in policy-oriented macroeconomics during her tenure. Before heading the ICD, Dr. Coorey was the Deputy Director in the IMF's African Department, where she oversaw the Fund's work on many Sub-Saharan African countries including South Africa, Botswana, and Zimbabwe. In addition, she led the department's financial sector work and research agenda. Dr. Coorey's experience at the IMF also includes surveillance work on the United Kingdom, Ireland, the United States, and Canada as well as programme work on Korea, Estonia, Mexico, and the Dominican Republic. She served on the Investment Committee of the IMF Staff Retirement Plan and on the Editorial Committee of IMF Staff Papers. She was also a visiting researcher at George Washington University's Elliott School of International Affairs in Washington DC. Dr. Coorey holds a Ph.D. and a bachelor's degree in Economics from Harvard University. She has published papers on inflation and economic growth in transition and developing countries and edited a book on managing oil wealth in Central African countries.

NIHAL FONSEKA

Non-Executive Director A H R SID

Nihal Fonseka is a career banker and served as the Chief Executive Officer of DFCC Bank from 2000 until his retirement in 2013. He is currently the Chairman of Phoenix Industries Limited, Non-Executive Director and Chairman of the Investment Committee of Phoenix Ventures Limited and Non-Executive Director and Chairman of the Group Audit Committee of Brandix Lanka Limited. He was a member of the Monetary Board of the Central Bank of Sri Lanka from 2016 to 2020 and also currently after he was reappointed in June 2022. He was the President of the Sri Lanka National Advisory Council of the Chartered Institute of Securities and Investments, UK from 2011 to 2021. Prior to joining the DFCC Bank, he was the Deputy Chief Executive of HSBC Sri Lanka. He is a past Chairman of the Colombo Stock Exchange and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He has also served as a Director of the Employees' Trust Fund Board and as a member of the Presidential Commission on Taxation (2009), National Procurement Commission and Strategic Enterprise Management Agency (SEMA). He holds a B.Sc. from the University of Ceylon, Colombo, is a Fellow of the Institute of Financial Studies, (FIB) UK and is an Honorary Fellow of the Chartered Institute of Securities and Investments, FCSI(Hon), UK.

PREMILA PERERA

Non-Executive Director A N R P

Premila Perera was appointed to the Board of the Company with effect from 1 July 2014 as an Independent Non-Executive Director. Premila Perera, formerly a Partner, KPMG in Sri Lanka, also served as the Global Firms Regional Tax Director for ASPAC in 2000/01, as a member of the Global Task force commissioned in 1998, to advise the International Board of KPMG on future directions in determining long-term strategic plans, and faculty of the KPMG International Tax Business School. She also served a period of secondment with the US Firm's National Tax Office in Washington DC, and was a participant at the KPMG-INSEAD International Banking School programme. She is a Fellow of the Institute of Chartered Accountants of Sri Lanka. She served as an Independent Director and Chairperson of the Audit and Related Party Transaction Committees of Ceylon Tobacco Company PLC until October 2017 and as a Non-Executive Director of Holcim (Lanka) Limited until August 2016.

DR. HANS WIJAYASURIYA

Non-Executive Director H N P

In his role as the Chief Executive Officer – Telecommunications Business, Dr. Hans Wijayasuriya heads the pan-region Telecommunications Operations of the Axiata Group Bhd., spanning the markets of Malaysia, Indonesia, Bangladesh, Nepal, Sri Lanka and Cambodia. Axiata is Asia's second largest Telecommunications Group. Up to the year 2016, Dr. Wijayasuriya functioned as the Group Chief Executive of Dialog Axiata PLC (Dialog), Sri Lanka's leading multi-play connectivity provider, and one of the highest valued companies on the Colombo Stock Exchange. In the year 2016, Dr. Wijayasuriya was honoured by the GSM Association as the first recipient of the 'Outstanding Contribution to the Asian Mobile Industry' Award. Dr. Wijayasuriya is a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association. He was also named 'Sri Lankan of the Year' by Sri Lanka's premier business journal, LMD in 2008. Dr. Wijayasuriya is the immediate past Chairman of the Ceylon Chamber of Commerce, Sri Lanka's premier business chamber. During the period 2012-14, Dr. Wijayasuriya also functioned as the founding CEO of Axiata Digital Services – the Group-wide Digital Services Business of the Axiata Group. Dr. Wijayasuriya is an alumnus of the University of Cambridge UK, and obtained his PhD from the University of Bristol UK. A Chartered Engineer and Fellow of the Institute of Engineering Technology UK, Dr. Wijayasuriya also holds an MBA from the University of Warwick.

- A Audit Committee
- H Human Resources and Compensation Committee
- N Nominations Committee
- R Related Party Transactions Review Committee
- P Project Risk Assessment Committee
- ED Refer Group Directory for directorships held by Executive Directors in other Group companies
- SID Senior Independent Director

Access to Independent Professional Advice

To preserve the independence of the Board and to strengthen the decision making, the Board is encouraged to seek independent professional advice, in furtherance of their duties, at the Group's expense. This is coordinated through the Board Secretary, as and when requested.

Board Induction and Training

When Directors are newly appointed to the Board, they undergo a comprehensive induction where they are apprised, inter-alia, of the Group values and culture, its operating model, policies, governance framework and processes, the Code of Conduct and the operational, environmental and social strategies of the Group.

Additionally, the newly appointed Directors are granted access to relevant parts of the business and are given the opportunity to meet with key management personnel and other key third-party service providers such as external auditors and risk consultants.

The Board of Directors recognise the need for continuous training and expansion of knowledge and undertakes such professional development, as they consider necessary, to assist them in carrying out their duties as Directors.

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 memberships are available with the Company Secretary for inspection by shareholders, on request.

Prior to Appointment

- Nominees are requested to make known their various interests

Once Appointed

- Directors obtain Board clearance prior to:
  - Accepting a new position.
  - Engaging in any transaction that could create or potentially create a conflict of interest.
- All NEDs are required to notify the Chairperson-CEO of any changes to their current Board representations or interests and a new declaration is made annually.

During Board Meetings

- Directors who have an interest in a matter under discussion:
  - Excuse themselves from deliberations on the subject matter.
  - Abstain from voting on the subject matter (abstention from decisions is duly minuted).

The independence of all its Non-Executive Directors was reviewed on the basis of criteria summarised below:

Criteria for Defining Independence	Status of Conformity of NEDs
1. Shareholding carrying not less than 10% of voting rights	None of the individual EDs' or NED/IDs' shareholdings exceed 1%.
2. Director of another company*	None of the NED/IDs are Directors of another related party company.
3. Income/non-cash benefit equivalent to 20% of the Director's annual income	NED/ID income/cash benefits are less than 20% of an individual Director's annual 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 member of the EDs or NED/ IDs is a Director or CEO or a Key Management Personnel 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	All NEDs, except Mr. A Cabraal and Mr. N Fonseka, satisfy these criteria. The Board has determined that, although Mr. A Cabraal and Mr. N Fonseka do not satisfy the said criteria, they do, in the opinion of the Board satisfy the other qualifying criteria in terms of independence. Having also considered all other factors, the Board is of the view that Mr. A Cabraal and Mr. N Fonseka are Independent.
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 six Board meetings. All pre-scheduled Board meetings are generally preceded by a Pre-Board meeting, which is usually held on the day prior to the formal Board Meeting. In addition to these Pre-Board meetings, the Board of Directors communicate, as appropriate, when issues of strategic importance requiring extensive discussions arise.

The attendance at the Board meetings held during the financial year 2022/23 is given below:

Name	Year of Appointment to the Board	26 Apr 22	23 May 22	20 June 22	27 July 22	04 Nov 22	31 Jan 23	Eligibility	Attended
K. Balendra	2016/17	✓	✓	✓	✓	✓	✓	6	6
G. Cooray	2016/17	✓	✓	✓	✓	✓	✓	6	6
N. Fonseka	2013/14	✓	✓	✓	✓	✓	✓	6	6
A. Cabraal	2013/14	✓	✓	✓	✓	✓	✓	6	6
P. Perera	2014/15	✓	✓	✓	✓	✓	✓	6	6
H. Wijayasuriya	2016/17	✓	✓	×	✓	✓	✓	6	5
A. Omar*	2012/13	✓	✓	✓	N/A	N/A	N/A	3	3
S Coorey**	2022/23	N/A	N/A	N/A	N/A	N/A	✓	1	1

**Retired on 27 June 2022*
***Appointed with effect from 1 January 2023*

BOARD SUB-COMMITTEES

The Board has delegated some of its functions to Board Sub-Committees, whilst retaining final decision rights. Members of these Sub-Committees focus on their designated areas of responsibility and impart knowledge and oversight in areas where they have greater expertise.

The five Board Sub-Committees are as follows:

i. Audit Committee
ii. Human Resources and Compensation Committee
iii. Nominations Committee
iv. Related Party 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 2023	Audit Committee	Human Resources and Compensation Committee	Nominations Committee	Related Party Transactions Review Committee	Project Risk Assessment Committee
Executive					
K Balendra – Chairperson-CEO			●		●
G Cooray – Deputy Chairperson/Group Finance Director					●
Senior Independent Non-Executive					
N Fonseka	● Chair	●		●	
Independent Non-Executive					
A Cabraal	●	● Chair	● Chair	●	
P Perera	●		●	● Chair	●
H Wijayasuriya		●	●		● Chair
S Coorey					

● Committee Member
● Committee Chair

Audit Committee

No. of meetings - 05

Composition

- All members are Non-Executive Independent Directors, with at least one member having significant, recent and relevant financial management and accounting experience, and membership in a recognised professional accounting body.
- The Chairperson-CEO and the Group Finance Director are permanent invitees for all Committee meetings. The Group Financial Controller is also present at discussions relating to Group reporting.
- The Head of the Group Business Process Review division is the Secretary of the Committee.

Scope

- Overseeing the preparation, presentation and review of the quarterly and annual financial statements, including the quality, transparency, integrity, accuracy and compliance with accounting standards, laws and regulations.
- Assess the adequacy and effectiveness of the internal control environment in the Group and ensure appropriate action is taken on the recommendation of the internal auditors.
- Evaluate the competence and effectiveness of the risk management systems of the Group and ensure robustness and effectiveness in monitoring and controlling risks.
- Review the adequacy and effectiveness of internal audit arrangements.
- Recommend the appointment, re-appointment and removal of the External Auditors including their remuneration and terms of engagement by assessing qualifications, expertise, resources and independence.

Report of the Audit Committee

Role of the Committee

The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the integrity of the financial statements of the Company and the Group, the internal control and risk management framework and systems of the Group, compliance with legal and regulatory requirements, the External Auditors' suitability, performance, and independence, and, the adequacy and performance of the internal audit function undertaken by the Group Business Process Review division (Group BPR). The scope of functions and responsibilities are adequately set out in the terms of reference of the Committee which has been approved by the Board and is reviewed annually.

The Committee's responsibilities pertain to the Group as a whole and in discharging its responsibilities, the Committee places reliance on the work of other Audit Committees in the Group without prejudicing the independence of those Committees. However, to the extent, and in a manner, it considers appropriate, the Committee provides feedback to those entities for their consideration and necessary action.

The effectiveness of the Committee is evaluated annually by each member of the Committee and the results are communicated to the Board.

Composition of the Committee and Meetings

The Audit Committee comprises the undersigned and the following Independent Non-Executive Directors:

A Cabraal
P Perera

The Head of the Group BPR division served as the Secretary to the Audit Committee.

The Audit Committee met five times during the financial year. Information on the attendance at these meetings by the members of the Committee is given in the ensuing section. The Chairperson-CEO, the Deputy Chairperson/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, when needed. The Committee engaged with the management to review key risks faced by the Group as a whole and the main sectors, with a view to obtaining assurances as appropriate and ensure 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.

The activities and views of the Committee were communicated to the Board of Directors quarterly through verbal briefings, and by tabling the minutes of the Committee's meetings.

Financial Reporting

The Audit Committee has reviewed and discussed the Group's quarterly financial statements and the annual statements with the Management. The External Auditors were engaged to conduct a limited review of the Group's interim financial statements for the six months ended 30 September 2022. The results of this review were discussed with the External Auditors prior to publication of these statements. The scope of the review included ascertaining compliance of the statements and disclosures with the Sri Lanka Accounting Standards, the appropriateness and changes in accounting policies and material judgemental matters. Discussions were also held with the External Auditors and Management on matters communicated to the Committee by the External Auditors in their reports to the Committee on the audit for the year.

The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and satisfied themselves that the necessary preparatory work was carried out, to enable the Company to comply with these new standards.

Internal Audit, Risks and Controls

The Committee reviewed the adequacy of the Internal Audit coverage for the Group and the Internal Audit Plans for the Group with the Head of the Group BPR division and the Management. The Internal Audit function of most Group companies is outsourced to leading professional firms under the direction and control of the Group BPR division.

The Group BPR division regularly reported to the Committee on the adequacy and effectiveness of internal controls in the Group and compliance with laws and regulations and established policies and procedures of the Group. Reports from outsourced Internal Auditors on the operations of the Company and some of the unquoted subsidiaries of the Company were also reviewed by the Committee. Follow-up action was taken on the recommendations of the outsourced Internal Auditors and any other significant follow-up matters were documented and presented to the Committee on a quarterly basis by the Head of Group BPR. The Committee reviewed the effectiveness of digital forensic tools used by Group BPR.

The Sustainability and Enterprise Risk Management division reported to the Committee on the process of identification, evaluation and management of all significant risks faced by the Group. The report covered the overall risk profile of the Group for the year under review in comparison with that of the previous year, and the most significant risks from a Group perspective together with mitigatory action. The Group functions in an environment where not all risks can be completely eliminated and in this context the Committee reviews remedial measures taken to manage risks that do materialise and the level of residual risk.

Formal confirmations and assurances were obtained from the senior management of Group companies on a quarterly basis regarding the efficacy and status of the internal control systems and risk management systems and compliance with applicable laws and regulations.

The Committee reviewed the whistleblowing arrangements for the Group and had direct access to the Ombudsperson for the Group. The effectiveness and resource requirements of the Group BPR division were reviewed and discussed with the 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 the 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 the management to discuss all audit issues and to agree on actions. This included the discussion of formal reports from the External Auditors to the Committee. The Committee also met the External Auditors, without management being present, prior to the finalisation of the financial statements to obtain their input on specific issues and to ascertain whether they had any areas of concern relating to their work. No matters other than those already discussed with the management were raised by the External Auditors.

The External Auditors' final management reports on the audit of the Company and the financial statements of the Company and Group for the year 2022/23 were discussed with the management and the Auditors.

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the John Keells Group. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka.

The performance of the External Auditors have 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 2024, subject to approval by the Shareholders at the Annual General Meeting.

N Fonseka
Chairperson of the Audit Committee

23 May 2023

Human Resources and Compensation Committee

No. of meetings - 02

Composition

- Committee comprises exclusively of Independent Non-Executive Directors.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Chairperson-CEO and Group Finance Director are invited to all Committee meetings unless the Chairperson-CEO or Executive Director remuneration is under discussion respectively.
- The Deputy Chairperson/Group Finance Director is the Secretary of the Committee.

Scope

- Review and recommend overall remuneration philosophy, strategy, policies and practices and, performance-based pay plans for the Group.
- Determine and agree with the Board a framework for the remuneration of the Chairperson and Executive Directors based on performance targets, benchmark principles, performance-related pay schemes, industry trends and past remuneration.
- Succession planning of Key Management Personnel.
- Determining compensation of Non-Executive Directors is not under the scope of this Committee.

Report of the Human Resources and Compensation Committee

The Human Resource and Compensation Committee forms a key part of the governance framework of the Group and carries the mandate to oversee the compensation and benefits policies adopted by the Group, and in doing so, review and recommend overall remuneration philosophy, strategy, policies and practices and performance-based pay plans. Furthermore, it reviews performance, compensation and benefits of the Chief Executive Officer (CEO), the other Executive Directors, and key executives who support and implement decisions at an apex level, the overall business strategy and make recommendation thereon to the Board of Directors. The Committee also reviews and monitors the performance of the Group's top talent for purposes of organisational growth and succession planning, with particular emphasis on succession at key executive levels.

In performing this role, the Committee is conscious of the need to ensure that stakeholder interests are aligned, and the Group is able to attract, motivate and retain talent and ensure their loyalty; the integrity of the Group's compensation and benefits programme is maintained and importantly, that the compensation policy and schemes are compliant with applicable laws and regulations.

In this context, the Committee determined the remuneration of the Executive Directors including the Chairperson-CEO in terms of the methodology set out by the Board, upon an evaluation of their performance by the Non-Executive Directors. The evaluation of the members of the Group Executive Committee (GEC) was considered by the Committee and remuneration was determined based on performance, market comparators for similar positions and in accordance with the Company's Compensation and Benefits policy.

As per the mandate outlined, the report from the Chairperson of the Human Resources and Compensation Committee continues to be a standing agenda item at the quarterly Board meetings. The Chairperson of the Committee reports on the developments which have taken place since the last Board meeting, if any, and updates the Board on various matters, as relevant and requested.

The Committee wishes to report that the Company has complied with the Companies Act in relation to remuneration of Directors. The annual performance appraisal scheme, the calculation of short-term incentives, and the award of ESOPs were executed in accordance with the approvals given by the Board, based on discussions conducted between the Committee and the Management.

A Cabraal

A Cabraal
Chairperson of the Human Resources and Compensation Committee

22 May 2023

Director Remuneration

Executive Director Remuneration

The Human Resources and Compensation Committee (HRCC) is responsible for determining the compensation of the Chairperson-CEO and the Deputy Chairperson/ Group Finance Director, both Executive Directors of the Group. The Human Resources and Compensation Committee operates in conformity with applicable rules and regulations.

The HRCC committee comprises solely of Independent, Non-Executive Directors. Whilst Independent Non-Executive Directors are appointed based on the recommendations of the Nominations Committee, they are put forward for shareholder voting at the Annual General Meeting, whereby the HRCC serves as an independent conduit for shareholder and other stakeholder interests.

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. In determining remuneration, other ESG considerations, including non-financial key performance indicators (KPIs), are also given due prominence. Further, the Human Resources and Compensation Committee consults the Chairperson-CEO about any proposals relating to the Executive Director remuneration, other than that of the Chairperson-CEO.

During the year, ESOPs, valued using a binomial pricing model, were granted to the Executive Directors as well as to all other eligible employees.

Excluding ESOPs granted, the total aggregate remuneration paid to Executive Directors for the year under review was Rs.196 million [2021/22: Rs.106 million] of which Rs.54 million [2021/22: Rs.23 million] was the variable portion linked to the performance benchmark as described above and Rs.142 million [2021/22: Rs.83 million] was the fixed remuneration.

Non-Executive Director Remuneration

The compensation of Non-Executive Directors was determined in reference to fees paid to other Non-Executive Directors of comparable companies, and adjusted, where necessary, in keeping with the complexity of the Group. Non-Executive Directors were paid additional fees for either chairing or being a member of a Sub-Committee and did not receive any performance/incentive payments/share option plans.

Total aggregate of Non-Executive Director remuneration for the year was Rs.20 million [2021/22: Rs.16 million].

Nominations Committee

No. of meetings - 02

Composition

- Majority of the members of the Committee shall be Non-Executive Directors together with the Chairperson-CEO.
- The Chairperson of the Committee must be an Independent Non-Executive Director.
- The Secretary to the Board is the Secretary of the Committee.

Scope

- Assess the skills required on the Board given the needs of the businesses.
- From time to time, assess the extent to which the required skills are represented at the Board.
- Prepare a clear description of the role and capabilities required for a particular appointment.
- Identify and recommend suitable candidates for appointments to the Board.
- Ensure, on appointment to Board, Non-Executive Directors receive a formal letter of appointment specifying clear expectations in terms of time commitment, involvement outside of the formal Board meetings, participation in Committees, amongst others.
- Ensure that every appointee undergoes an induction to the Group.
- The appointment of the Chairperson and Executive Directors is a collective decision of the Board.

Report of the Nominations Committee

The Nominations Committee as at 31 March 2023, consisted of the following members:

- A Cabraal (Chairperson)
- K Balendra
- P Perera
- H Wijayasuriya

**Note: A Omar resigned as the Chairperson of the Nominations Committee consequent to his resignation from the Board of John Keells Holdings PLC (JKH) on 27 June 2022.*

The Nominations Committee reaffirmed its mandate to:

- Recommend to the Board the process of selecting the Chairperson and Deputy Chairperson.
- Assess the skills required for each business, based on the strategic demands to be met by JKH and other listed companies of the Group.
- Identify suitable persons to be appointed as Non-Executive Directors to the Board of JKH and make recommendations to other listed companies in the Group.
- Review the structure, size, composition and skills of each Board.
- Ensure that every appointee undergoes an induction.
- Make recommendations on matters referred to it by the Board.

During the reporting period, the following appointments were made consequent to the recommendation of the Committee:

John Keells Holdings PLC

- A N Fonseka (renewal)
- D A Cabraal (renewal)
- S S H Wijayasuriya (renewal)
- S A Coorey (new appointment)

Ceylon Cold Stores PLC

- S T Ratwatte (renewal)
- R S Wilson Wijeratnam (renewal)

John Keells PLC

- A K Gunawardhana (renewal)
- B A I Rajakarier (renewal)
- C N Wijewardane (renewal)

John Keells Hotels PLC

- K A Gunasekera (renewal)
- A K Moonesinghe (renewal)
- H Premaratne (new appointment)

Keells Food Products PLC

- S De Silva (renewal)
- A E H Sanderatne (renewal)
- I Samarajiva (renewal)
- P D Samarasinghe (renewal)

Tea Smallholder Factories PLC

- A S Jayatilleke (renewal)

Trans Asia Hotels PLC

- S A Atukorale (new appointment)
- N L Gooneratne (renewal)

The Committee reports its activities at each Board Meeting.

The Committee continues to work with the Board on reviewing its skills mix, based on the immediate and emerging needs of the Group. Further, the Committee discusses with the Board the outputs of the annual JKH Board evaluation.

A. Cabraal

A Cabraal
Chairperson of the Nominations Committee

22 May 2023

Related Party Transactions Review Committee

No. of meetings - 04

Composition

- The Chairperson shall be an Independent Non-Executive Director.
- Members of the committee should be a combination of Non-Executive Directors and Independent Non-Executive Directors.
- The composition may include Executive Directors at the option of the Listed Entity.

Scope

- The Group has broadened the scope of the Committee to include senior decision makers in the list of key management personnel, whose transactions with Group companies also get reviewed by the Committee, in addition to the requisitions of the CSE.
- Develop, and recommend for adoption by the Board of Directors of JKH and its listed subsidiaries, a Related Party Transaction Policy which is consistent with the operating model and the delegated decision rights of the Group.
- Update the Board on related party transactions of each of the listed companies of the Group on a quarterly basis.
- Define and establish the threshold values for each of the subject listed companies in setting a benchmark for related party transactions, related party transactions which have to be pre-approved by the Board, related party transactions which require to be reviewed annually and similar issues relating to non-listed companies.

Report of the Related Party Transactions Review Committee

Composition

The following Directors served as members of the Committee during the financial year:

P Perera
N Fonseka
A Cabraal

The Chairperson-CEO, Deputy Chairperson/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 Committee held four meetings during the financial year, which were held on a quarterly basis. Information on the attendance at these meetings by the members of the Committee is given alongside.

Objective and Governing Policies

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 all applicable rules and regulations, namely the Code on Related Party Transactions, as issued by the Securities and Exchange Commission of Sri Lanka ('The Code') and the Listing Rules of the Colombo Stock Exchange (CSE). The Committee has also adopted best practices as recommended by the Institute of Chartered Accountants of Sri Lanka and ensures that transactions are in line with the Groups' internal governance framework and associated policies.

Procedure

The Committee in discharging its functions primarily relied on processes that were validated from time to time and periodic reporting by the relevant entities and Key Management Personnel (KMP) with a view to ensuring that:

- there is compliance with 'The Code' and the Listing Rules of the CSE
- shareholder interests are protected; and
- fairness and transparency are maintained.

Non-recurrent Related Party Transactions (RPTs) of listed entities:

The Committee advocated the Management to implement appropriate procedures to ensure that all non-recurrent RPTs of the Group's listed entities are submitted to the Committee, for pre-approval. Accordingly, 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: Asian Hotels and Properties PLC, Ceylon Cold Stores PLC, John Keells PLC, John Keells Hotels PLC, Keells Food Products PLC, Tea Smallholder Factories PLC, Trans Asia Hotels PLC and Union Assurance PLC.

Recurrent RPTs of listed entities:

The Committee has endorsed guidelines to facilitate disclosures and assurances to be provided by the senior management of listed entities in the Group so as to validate compliance with sec 9.5(a) of the Listing Rules and thus exclusion from the mandate for review and pre-approval of such transactions by the Committee.

Accordingly, Recurrent RPTs as well as the aforesaid disclosures and assurances were reviewed annually by the Committee.

Other significant transactions of non-listed subsidiaries:

Material transactions of non-listed subsidiaries in the Group were presented to the Committee for information.

The Group continued to adopt a broader scope in defining key management personnel including therein all senior decision makers. Accordingly, 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 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

22 May 2023

Project Risk Assessment Committee

Composition

- Should comprise of a minimum of four Directors.
- Must include the Chairperson-CEO and Group Finance Director.
- Must include two Non-Executive Directors.
- The Chairperson must be a Non-Executive Director.

Scope

- Review and assess risks associated with large-scale investments and the mitigatory plans thereto, if mitigation is possible, and identify risks that cannot be mitigated.
- Ensure stakeholder interests are aligned, as applicable, in making this investment decision.
- Where appropriate, obtain specialised expertise from external sources to evaluate risks, in consultation with the Group Finance Director.
- Recommend to the Board, necessary action required, to mitigate risks that are identified in the course of evaluating a project in order to ensure that those risks are captured by the Group Risk Matrix for monitoring and mitigation.
- Note that the Committee shall convene only when there is a need to transact in business as per the terms of its mandate.

Report of the Project Risk Assessment Committee

The following Directors served as members of the Committee during the financial year:

H Wijayasuriya (Chairperson)
K Balendra
G Cooray
P Perera

The Project Risk Assessment Committee was established with the purpose of further augmenting the Group's Investment Evaluation Framework. The Committee provides the Board with enhanced illumination of Risk perspectives with respect to large scale new investments, and also assists the Board in assessing the potential impact of risks associated with such investments. Investments which are referred to the Committee are those which exceed a board-agreed threshold in terms of quantum of investment and/or potential impact to the Group. The Committee accordingly provides early-stage recommendations to the Board with respect to the extent of risk and adequacy of mitigation strategies.

Given the extenuating impact of Sri Lanka's macroeconomic crisis on Group businesses and the trailing impacts of the pandemic on specific sectors; Board discussions took place at a higher frequency, affording the opportunity for matters pertaining to Group investments and risk assessments to be deliberated by the full Board.

H Wijayasuriya
Chairperson of the Project Risk Assessment Committee

22 May 2023

COMBINED CHAIRPERSON-CEO ROLE

The Group's Chairperson continued to play the role of the CEO, in addition to the role of Chairperson. The appropriateness of combining the two roles is discussed in detail in the ensuing section.

The appropriateness in combining the roles of the Chairperson-CEO was established after evaluation and debate, internally and externally. The appropriateness of continuing with the combined role is revisited and rigorously evaluated periodically - the Board continues to maintain its position that the combination of the two roles is more appropriate for the Group in meeting stakeholder objectives in a large, diversified conglomerate setting. This view takes into consideration not only the diversity of the industries the Group engages in but also the macroeconomic conditions which requires the leadership to be nimble and agile. These discussions are supported by international best practice accessed through consultancy services and experts.

- The intended objective of achieving improved governance and higher independence can be better achieved via a focus on certain complementary actions, which have proven to be an effective assurance mechanism to the role of a combined Chairperson-CEO. If the same objective can be achieved under the guidance of a combined Chairperson-CEO, the introduction of a segregated role should not compromise the underlying operating model of a corporate, including that of JKH – particularly if there is no proven effectiveness in segregation. Such 'checks and balances' entail:

(i) Establishing a strong independent governance element via assurance mechanisms such as:
   - Presence of a Senior Independent Director who will act as the independent party to whom concerns could be voiced on a confidential basis and ensure that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors.
   - A Nominations Committee that ensures the nomination of Non-Executives who are truly independent.
   - The presence of a Board which comprises of a majority Independent Directors.
   - Presence of an Ombudsperson.

(ii) Use of systematic, comprehensive Board and CEO/chair evaluations.

(iii) Ensuring active involvement of the Board in CEO succession and strategy formulation

Chairperson-CEO

Purpose as Chairperson:

- To provide leadership to the Board whilst inculcating good governance and ensuring effectiveness of the Board.
- Ensure constructive working relations are maintained between the Executive and Non-Executive members of the Board.
- Ensure, with the assistance of the Board Secretary, that:
  - Board procedures are followed.
  - Information is disseminated in a timely manner to the Board.

Purpose as CEO:

- Execute strategies and policies of the Board.
- Ensure the efficient management of all businesses.
- Guide and supervise Executive Directors towards striking a balance between their Board and Executive responsibilities.
- Ensure the operating model of the Group is aligned with short and long-term strategies of the Group.
- Ensure succession planning at the senior level.

INTEGRATED GOVERNANCE SYSTEMS AND PROCEDURES

Listed below are the main governance systems and procedures of the Group. These systems and procedures strengthen the elements of the JKH Internal Governance Structure and are benchmarked against industry best practice.

i. Strategy formulation and decision-making process
ii. Human resource governance
iii. Integrated risk management
iv. IT governance
v. Tax governance
vi. Stakeholder management and effective communications
vii. Sustainability governance

Each of the components above are discussed in detail through the detailed Corporate Governance Commentary available on the Corporate website

ASSURANCE MECHANISMS

The Assurance Mechanisms comprise of the various supervisory, monitoring and benchmarking elements of the Group Corporate Governance System which are used to measure 'actuals' against 'plan' with a view to highlighting deviations, signalling the need for quick corrective action, and quick redress, when necessary. These mechanisms also act as 'safety nets' and internal checks in the Governance system. The Group also conducts internal and external audits on a periodic basis, annually at minimum.

As outlined in the ensuing sections, the Group has various mechanisms in place for concerns to be escalated and raised at a Board level or GEC level. Other than matters on significant transactions linked to the operations of the Group, no critical concerns which have a material adverse effect on the Group were raised during the year.

The Code of Conduct

The Code of Conduct also entails conformance to all Group policies, and also includes, amongst many others, policies on gifts, entertainment, facilitation payments, proprietary and confidential information. Policies on anti-fraud, anti-corruption and anti-money laundering and countering the financing of terrorism and JKH's Code of Conduct, amongst other policies, also encompass:

- anti-bribery controls to prevent payments and contributions being made with the aim of obtaining an improper business benefit from any party including, but not limited to, clients, service providers, customers, business associates and political parties; and
- controls on gifting and favours. The giving or accepting gifts or favours in whatsoever form, including from clients, service providers, customers, business associates and political parties and any other stakeholder we engage with in the course of carrying out duties in our professional capacity, is prohibited if it was possible on the part of a 'reasonable person' to conclude that the giving/acceptance of such gifts or favours could directly or indirectly affect one's independence in decision making and conduct as an employee and/or if it could be seen by others as a consideration for an official or business favour. The 'reasonable person' test should also be applied in respect of charitable donations and sponsorships (financial or in-kind) that are made.

JKH Code of Conduct

- Allegiance to the Company and the Group, that ensures the Group will 'do the right thing', by going further than the letter of any contract, the law and our written policies.
- Compliance with rules and regulations applying in the territories that the Group operates in.
- Conduct all businesses in an ethical manner at all times in keeping with acceptable businesses practices and demonstrate respect for the communities we operate in and the natural environment.
- Exercise of professionalism and integrity in all business and 'public' personal transactions.

In the event a gift or benefit of a threshold of above USD 50 per gift is given or received, based on business exigencies, these are monitored to ensure conformance with the Group's policies, including policies on gifts and entertainment. Such exceptions are required to be reported to the respective Finance Head of the business (Chief Financial Officer or Sector Financial Controller), where in turn, these are collated and monitored centrally.

The Code of Conduct, and thereby all Group policies apply to all employees and directors. All policies of the Company are readily available to employees in the primary languages used in the country the Company operates in i.e. in Sinhala, Tamil and English.

The objectives of the Code of Conduct are strongly affirmed by a strong set of Values which are well institutionalised at all levels within the Group through structured communication. The degree of employee conformance with Values and their degree of adherence to the JKH Code of Conduct are key elements of the reward and recognition schemes.

The Group Values continue to be consistently referred to by the Chairperson-CEO, Presidents, Sector and Business Unit Heads during employee and other key stakeholder engagements, in order to instil these values in the hearts and DNA of the employee.

Group Values are found in the Business Model section of the Annual Report.

Senior Independent Director

Considering the combined role of the Chairperson-CEO, the presence of the Senior Independent Director is important in ensuring that no one person has unfettered decision making powers, and that matters discussed at the Board level are done so in an environment which facilitates independent thought by individual Directors. The Senior Independent Director also acts as the independent party to whom concerns could be voiced on a confidential basis.

The Senior Independent Director meets with other Non-Executive Directors, without the presence of the Chairperson-CEO, at least twice every year to evaluate the effectiveness of the Chairperson-CEO and has regular meetings with the other Non-Executive Directors on matters relating to the effectiveness of the Board or the Board as appropriate. The Senior Independent Director is also kept informed by the Ombudsperson of any matters in respect of the JKH Code of Conduct which has come to his attention.

Report of the Senior Independent Director

Independent Directors

A Cabraal
S Coorey (appointed with effect from 1 January 2023)
N Fonseka
A Omar (retired on 27 June 2022)
P Perera
H Wijayasuriya

The independence of each Director has been established based on the information and declarations submitted by them. The Board has concluded that all Non-Executive Directors are independent.

Apart from unstructured and informal contacts, the Independent Directors had two virtual meetings without Executive Directors participating, to discuss matters relevant to their responsibilities as Non-Executive Directors. These meetings concluded with a wrap up session with the Chairperson-CEO, who provided responses to matters raised, or agreed to provide further information or clarification at Board meetings. The Covid-19 pandemic continued to have an adverse impact on the operations of the Group although to a far lesser extent than in the previous year as business activity in most sectors recovered to pre-pandemic levels by the end of the financial year. Earlier in the financial year, global commodity price increases and Sri Lanka's worsening macroeconomic conditions led to social unrest, higher interest rates, sharp depreciation of the Rupee and acute foreign exchange shortages and exposed the Group to higher risks. The management and mitigation of these risks received special attention of the Non-Executive Directors and are referred to in greater detail in the Annual Report. Remuneration of Executive Directors was also determined at a meeting of the Non-Executive Directors.

The minutes of meetings of the Group Executive Committee (GEC) are circulated to the Non-Executive Directors to ensure a high degree of transparency and interaction between the Executive and Non-Executive members of the Board. The Non-Executive Directors are also kept advised on the progress of key ongoing projects and management responds to any clarifications sought.

The Ombudsperson has reported to me that no issues have been brought to his attention that indicate mismanagement, unfair treatment or justified discontent on the part of any employee or ex-employee during the financial year.

The Independent Directors thank the Chairperson-CEO, Deputy Chairperson/ Group Finance Director, members of the Group Executive Committee, Sector Heads and members of the management team for their openness and co-operation on all matters where their input was sought by the Non-Executive Directors.

N Fonseka
Senior Independent Director

22 May 2023

Board Sub-Committees

The Board Sub-Committees play an important supervisory and monitoring role by focusing on the designated areas of responsibility passed to it by the Board.

For more information on the Board Sub-Committees refer section 3.2 of the detailed Governance Commentary on the website.

Employee Participation in Assurance

The Group is continuously working towards introducing innovative and effective ways of employee communication and employee awareness. The importance of top-down, bottom-up, and lateral communication in gaining employee commitment to organisational goals has been conveyed extensively through various communications issued by the Chairperson-CEO and the management. Whilst employees have many opportunities to interact with senior management, the Group has created the ensuing formal channels for such communication through feedback, without the risk of reprisal.

- Skip level meetings
- Exit interviews
- Young Forum meetings
- 360-degree evaluation
- Employee surveys
- Monthly staff meetings
- Ombudsperson
- Access to Senior Independent Director
- Continuous reiteration and the practice of the 'Open-Door' policy

Additionally, the Group continued with its whistle-blower policy and securities trading policy. The Group has witnessed an increased level of communication flow from employees. Such communication and feedback received from the employees by the management are recorded, irrespective of the level of anonymity, and subsequently discussed and followed up. The respective outcomes are duly recorded.

Internal Controls

The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems, and internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

Internal Compliance

A quarterly self-certification programme requires the Presidents, Sector Heads and Chief Financial Officers of industry groups to confirm compliance with statutory and other regulatory procedures, and also to identify any significant deviations from the expected norms. The compliance statement which gets collated every quarter and tabled at the respective Audit Committee meetings, is subject to periodic review and where applicable revised, to reflect and capture any material changes that drive the macro and micro operating contexts, for reporting and monitoring purposes.

System of Internal Control

The Board has taken steps to obtain assurance that systems designed to safeguard the Company's assets and provide management information are functioning according to expectations and proper accounting records are in place through the involvement of the Group Business Process Review function.

This also entails automated monitoring and workflow based escalation in order to facilitate timely clearing of all transactional entries including complete reconciliation, unreconciled and open entries being flagged and periodically scrutinised, and formal disclosure being made to the relevant Audit Committees, efficient management and tracking of cash and cheques deposits, in line with international best practice and continual streamlining and optimisation of the Internal Audit function via identification of focus areas, improvement opportunities and feedback reporting in order to reinforce governance and assurance.

The Group has in place two integrated frameworks, the 'Fraud Deterrent and Investigation Framework' and the 'Process Review Framework' that complement each other to strengthen the Group's effort to promote anti-fraud, anti-corruption and anti-bribery by proactively recognising the changing context and operating landscape. The integrated fraud deterrent and investigation framework which enables an integrated platform for handling all aspects of fraud and stakeholder assurance, reinforces uniformity across common processes in matters relating to fraud, employs a data-driven approach to the continuous assessment of control efficacy and assesses and deploys appropriate preventive and detective controls against frauds. The Integrated Process Review Framework provides an innovative approach to internal audits which enable audits to be specific and very focused on matters relevant to a business entity. Emphasis is placed on use cases and events stemming from the current business strategy, which must get facilitated by participating processes, systems, and personnel which form micro-value chains with special attention to the efficacy of control and its placement to ensure the integrity of transaction as each traverse through each micro-value chain, at the time of audit reviews. The digital system for quarterly financial and operational information management which was already implemented, continues to perform as per expectations facilitating data capturing for compliance reporting, providing a sustainable and structured mechanism to enable top-down and bottom-up stakeholder engagement, and tracking the progression of how the compliance posture at an entity level has evolved, among others. The Forensic Data Analytics platform feeds into 'Internal Audit Scoping' and continues to be used to identify areas for process optimisation, strengthening controls and in feedback reporting to reinforce governance (management) and assurance structures.

Initiatives to Strengthen Internal Controls

The Group continued with its journey of strengthening its internal audit and process review framework by further augmenting, through automation, its holistic approach to internal audits and process reviews. Aimed at fostering better synergy and alignment of process, technology, and people, in optimising the interplay between these components, this framework continues to provide a stable platform to:

- operationalise the structured integrated multimodal process review framework that encourages auditors to report on value added recommendations, identify candidates for full/partial process automation based on independent assessment of fit within the applicable domain of use cases, industry best practice and access to global knowledge bases.
- ascertain the degree of alignment and enforcement between process controls and information technology functions, particularly in handling the domain of use cases.
- expand the knowledge base of known types of frauds for which process and system controls have been evaluated, and progressively engage in continuous improvement and feedback initiatives based on cumulative learnings.
- maintain a central repository of data sets associated with each process to undertake retrospective forensic data analysis, as well as the use of the data as a prospective tool as input to steer audit scoping.

The risk review programme covering the internal audit of the whole Group is outsourced. Reports arising out of such audits are, in the first instance, considered and discussed at the business/functional unit levels and after review by the Sector Head and the President of the industry group are forwarded to the relevant Audit Committee on a regular basis. Further, the Audit Committees also assess the effectiveness of the risk review process and systems of internal control on a regular basis.

Segregation of Duties (SoD) under Sarbanes-Oxley (SOX) Guidelines

The Group is very aware of the need to ensure that no individual has excessive system access to execute transactions across an entire business process or business processes which have critical approval linkages, in the context that increasing use of information technology and integrated financial controls creates unintended exposures within the Group. SoD dictates that problems such as fraud, material misstatements and manipulation of financial statements have the potential to arise when the same individual is able to execute two or more conflicting, sensitive transactions. Separating disparate jobs into task-oriented roles can often result in inefficiencies and costs which do not meet the cost versus benefit criteria. Whilst the attainment of a zero SoD conflict state is utopian, the Group continues to take steps, to identify and evaluate existing conflicts and reduce residual risks to an acceptable level under a cost versus benefit rationale. No material conflicts were reported during the year.

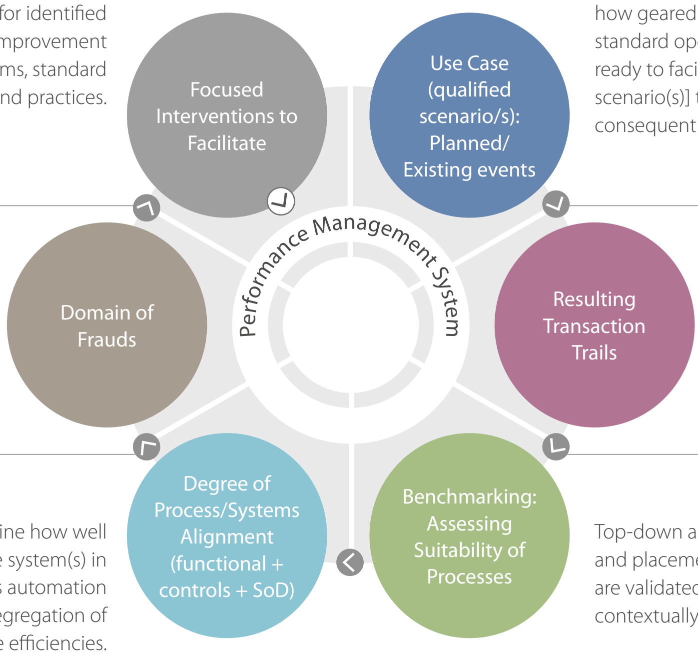
Internal Audit

The ensuing diagram provides a helicopter view of the new Internal Audit Approach that has been rolled out within the Group. Central to this approach is the business strategy and how the current processes, systems, and people, are geared to efficiently and effectively handle the deliverables of the current business strategy at the time of review. The outer elements reflect the reporting elements which are noted in audit reports, either as observations and/or value-added recommendations.

The new internal audit approach: Continuous emphasis on context

Prompt active engagement based on prioritised remediation for identified opportunities for continuous improvement of existing processes, systems, standard operating procedures and practices.

Central to this approach: Auditor determine how geared the factors of process, systems, and standard operating procedures are aligned and are ready to facilitate predominant use cases [specific scenario(s)] that stem from events occurring, consequent to the current business strategy.



Disclosure of a qualified list of Fraud that the process is assessed for its susceptibility and is based on authoritative sources such as Association of Certified Fraud Examiners (ACFE), and amongst others, Global knowledge resources of Audit firms.

Transactions resulting from events are scrutinised, anomalies identified, and root cause (contributory effect of Process, Systems, People), and its potential impact to the Business are prioritised for further deliberation.

Bottom-up evaluation : Determine how well process controls are enforced by the system(s) in use, identify opportunities for process automation and optimising enforcement of segregation of duties (SoD) to enhance efficiencies.

Top-down assessment : Efficacy of the design and placement of Process/functional controls are validated/verified and benchmarked with contextually relevant best practices.

To Facilitate

Whilst there are merits and demerits associated with outsourcing an internal audit, the Group is of the view that having an external based auditor is more advantageous. However, there are certain industries where the domain is very operationally specific and requires an internal auditor in addition to the external auditor.

Forensic data analytics to identify anomalies and facilitate behavioural oversight

Traditionally, internal auditing followed an approach which was based on a cyclical process that involves manually identifying control objectives, assessing and testing controls, performing tests, and sampling only a relatively small population of the dataset to measure control effectiveness and operational performance. Today, the Group operates in a complex and dynamic business environment where the number of transactions has increased exponentially over the years and the traditional cyclical/sample based internal auditing techniques are becoming less effective. As such, the Group continues to use 'big data analysis' techniques on the total data using standard deviations and z-scores in establishing real-time, user-friendly 'outlier identification' and 'early warning triggers'.

The Board has taken necessary steps to ensure the integrity of the Group's accounting and financial reporting systems, and internal control systems remain robust and effective via the review and monitoring of such systems on a periodic basis.

Ombudsperson

An Ombudsperson is available to report any complaints from employees of alleged violations of the published Code of Conduct if the complainant feels that the alleged violation has not been addressed satisfactorily by the internally available mechanisms.

The findings and the recommendations of the Ombudsperson, subsequent to an independent inquiry, is confidentially communicated to the Chairperson-CEO or to the Senior Independent Director upon which the involvement duty of the Ombudsperson ceases.

On matters referred to him by the Ombudsperson, the Chairperson-CEO or the Senior Independent Director, as the case may be, will place before the Board:

i. the decision and the recommendations;

ii. action taken based on the recommendations;

iii. where the Chairperson-CEO or the Senior Independent Director disagrees with any or all of the findings and or the recommendations thereon, the areas of disagreement and the reasons therefore.

In situation (iii) the Board is required to consider the areas of disagreement and decide on the way forward. The Chairperson-CEO or the Senior Independent Director is expected to take such steps as necessary to ensure that the complainant is not victimised, in any manner, for having invoked this process.

The current Ombudsperson is an attorney-of-law by profession.

Report of the Ombudsperson

Mandate and Role

For purposes of easy reference, the Ombudsperson's mandate and role is set out below:

(a) legal and ethical violations of the Code of Conduct for employees, but in an appellate capacity, when a satisfactory outcome using existing procedures and processes has not resulted or when the matter has been inadequately dealt with;

(b) violations referred to above by individuals at the Executive Vice President, President and Executive Director levels, including that of the Chairperson-CEO, in which case the complainant has the option of either complaining to the Ombudsperson in the first instance, or first exhausting the internal remedies;

(c) sexual harassment, in which event the complainant has the option of either complaining to the Ombudsperson in the first instance or first exhausting the internal remedies.

The mandate excludes disciplinary issues from the Ombudsperson's responsibilities. The right to take disciplinary action is vested exclusively in the Chairperson-CEO and those to whom this authority has been delegated.

No issues were raised by any member of the companies covered during the year under review.

Ombudsperson
31 March 2023

External Audit

Ernst & Young are the external auditors of the Company as well as many of the Group companies. The individual Group companies also employed KPMG Ford, Rhodes, Thornton & Co, Price Waterhouse Coopers, and Luthra and Luthra, India as external auditors. The appointment/re-appointment of these auditors was recommended by the individual Audit Committees to their respective Boards of Directors.

The Audit Committee, led by the Senior Independent Director and Independent Non-Executive Directors of JKH, annually review the appointment of external auditors and recommend the appointment of auditors for shareholder approval at the Annual General Meeting. They have recommended retaining Ernst & Young as the Group lead consolidating auditor given the various complexities of the Group and related nuances. The Auditors maintain independence through routine rotation of partners.

The audit fees paid by the Company and Group to its auditors are separately classified in the Notes to the Financial Statements of the Annual Report.

OUTLOOK AND EMERGING CHALLENGES

The need for maintaining a robust and well-grounded corporate governance framework has become vital when operating in a dynamic socio-economic environment, exacerbated by global volatility. A strong governance mechanism is pivotal in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fairmindedness and creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving external challenges.

The pursuit of continuous improvement in governance, emphasis on environmental and social considerations and a call for increased accountability and transparency continue to influence and shape the role of board governance aspects. The primary areas of focus and challenges, amongst many others, being recurrently addressed by JKH are detailed in the ensuing section.

Board Diversity

JKH acknowledges the need for diversity in Boards and is conscious of the need to attract appropriately skilled Directors who reflect the values and requirements of its businesses and vision. Whilst the Group is of the view that diversity ranging across demographic attributes, backgrounds, experiences and social networks improve a Board's understanding of its vast pool of stakeholders, providing diverse connections with the external environment and aiding the Group in addressing stakeholders' claims in a more responsive manner, JKH is also conscious of the need to maintain a strong culture of meritocracy, ensuring that Board diversity does not come at the expense of Board effectiveness. In this regard, every effort will be made to attract suitably qualified personnel from diverse demographics and backgrounds.

Dr. S Coorey, who brings in invaluable experience, including through her career spanning over three and a half decades at the International Monetary Fund in various positions and geographies, was appointed to the Board during the year under review.

Board Independence

There is increased focus on board independence by stakeholders, stock exchanges and regulatory bodies worldwide. It is JKH's view that, in order for a Board to be effective, companies must take steps, both in their structures and nominating procedures, to ensure fostering of independent decision-making and mitigating potential conflicts of interest which may arise.

The criteria for defining independence of boards vary significantly across countries. There is evidence that the intended vision of achieving improved governance and higher independence can be achieved through various checks and balances, whilst not compromising on the underlying operating model of a corporate. These checks and balances may entail, among others, establishment of various assurance mechanisms and the use of systematic and comprehensive board evaluation processes and independent director led engagement. To this end, JKH will continue to place emphasis on further augmenting the Board's independence whilst striking a balance with the Group's operating model, which addresses the complexities and intricacies of a diversified conglomerate setting.

Anti-fraud, anti-corruption and anti-bribery

The Group places the highest value on ethical practices and has promulgated a zero-tolerance policy towards corruption and bribery in all its transactions and strives to maintain a culture of transparency and honesty as opposition to fraud and corruption. Based on this commitment, the Code of Conduct, anti-fraud, fraud prevention, anti-corruption, anti-bribery, gifting, audit and transparency policies, amongst many others, outline the principles to which the Group is committed in relation to preventing, reporting and managing fraud and corruption. It covers inter-alia, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments, bribery, allowing oneself to be placed in situations of conflict of interest and statements (financial or non-financial) dishonestly and recklessly made contrary to the factual position. Accordingly, all forms of fraud and corruption, including, but not limited to, theft, embezzlement, overriding controls, giving or receiving kickbacks, facilitation payments and bribery is prohibited across the Group.

The Group seeks to ensure that ethical business practices are the norm from the business unit level, down to the individual employee. Its transparent control and prevention mechanisms also extend to its value chain, to its customers, suppliers and business partners.

The Group will continue its stance of zero-tolerance towards corruption and bribery in all its transactions and foster transparency and honesty in all business dealings, whilst continually developing its governance frameworks in line with international best practice. The Group's continuous effort to strengthen transparency in Corporate Reporting is evident by JKH being placed first for the third consecutive year in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) 2022, whilst being the only entity to obtain a full overall score for transparency in disclosure practices among the top 100 companies listed on the CSE.

Increasing emphasis on environmental, social and governance (ESG) aspects

ESG analysis and investing continue to gain traction amongst Governments, investment professionals and high net worth investors, given the aim of reducing negligent and irresponsible corporate behaviour that may have an adverse impact on the environment, harm human rights and foster corruption and bribery, among others, and disintegrate the corporate in the long-term. Moreover, implementing effective ESG policies is crucial for companies to attract talent and retain employee loyalty.

JKH is of the view that emphasis on ESG fosters a 360-degree analysis of performance and enables a sustainable business model, which can derive value to all stakeholders. Various measures have been, and are, in place, to ensure a holistic view of performance including managing scarce natural resources, mitigating impact of the Groups' businesses on the environment, enhancing the well-being of all stakeholders and ensuring effective governance mechanisms. Such metrics are revisited regularly during decision-making. The Group will stay abreast of developments in this regard and continue to integrate ESG elements with business strategy, operations and in reporting.

As a part of the Group's continuous efforts towards increasing emphasis and focus on ESG aspects, the Group, along with an international consulting firm, has commenced work to re-formulate the Group's ESG framework and set revised Group-wide ESG related targets.

The key expectation of this engagement is to align the ESG efforts across the Group, resulting in a clearly defined framework and communication of the Group's ESG agenda. Each of the Group's sectors are envisaged to have clearly established short, medium- and long-term goals, along with defined roadmaps to achieve the said targets.

Pursuant to the private placement of Company shares to Asian Development Bank (ADB) in January 2022, the involvement of the ADB as a strategic partner in select ESG areas given its focus on development impacts and positive externalities, continues to augur well and helps augment the current initiatives across the Group and enables a rapid scale up given its strong expertise and experience in this area. To this end, select Group policies related to ESG areas were further enhanced in line with best practice advocated by ADB as well as the International Finance Corporation.

Continual Strengthening of Internal Controls

Augmenting transactional and financial internal controls with operational aspects, in line with international best practice, remains a medium-term priority for the Group. Continuous strengthening of internal controls through a streamlined process that optimises and facilitates process audit information, life cycle management and related processes are expected to:

- eliminate inefficiencies inherent in manual processes.
- provide a platform based on process enforcement.
- enable management follow-up based on centrally held data in a compliance repository.
- identify trends, action taken, effectiveness and opportunities for process improvement by analysing movement of the compliance posture.
- strengthen the Group's ability to prevent and detect fraud

Digital Oversight and Cyber Security

Whilst the rapidly advancing nature of technology and the continual integration of the Group's operations with technological progress has enhanced and streamlined processes and controls across the Group and opened up opportunities, it has resulted in increased vulnerability for the Group from a digital standpoint. As a result, the Board places significant emphasis on ensuring that the Group's soft and hard infrastructure is designed in a manner, and adequate, to deal with a potential breach. Data protection and cyber security are regularly addressed during the Risk Management and Audit Committee meetings and periodically discussed at a Board level.

Data Protection, Information Management and Adoption

The presence of continuously evolving IT infrastructure and platforms to meet requirements of day-to-day business, continues to augur well for the Group. Although the Group continues to witness an acceleration of digitisation and better user adoption, the adoption of such systems and features remain at a relatively early stage across the Group and is a key focus area for the Group.

Given the emergence of regulations such as the European Union General Data Protection Regulation (GDPR) and the Sri Lankan Personal Data Protection Act No. 9 of 2022, data security, integrity and information management has become pivotal. In addition to this, the Group's initiatives on advanced data analytics also necessitate an established governance framework to manage the flow of data. To this end, the Group will continue to strengthen its data governance structure to ensure ownership and accountability of clearly articulated data governance policies and processes and Group-wide data quality standards.

Greater Employee Involvement in Governance

Whilst all necessary compliance and assurance frameworks are believed to be in place, JKH recognises the pivotal role played by employees in reinforcing an effective governance system across the Group. JKH will continue to encourage greater employee participation through:

- a further strengthened continuous performance management process, which envisages continuous feedback and enhanced engagement via employee information systems.
- engagement and empowerment via greater delegation of authority.
- increased communication and collaboration.
- adoption of differentiated means of communication based on the age dynamics of employee segments.
- ongoing training and refreshers on the Code of Conduct and related governance policies.

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the JKH Annual Report)
(i)	Names of persons who were Directors of the Company	Yes	Corporate Governance Commentary
(ii)	Principal activities of the entity and its subsidiaries during the year, and any changes therein	Yes	Management Discussion and Analysis
(iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Yes	
(iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Yes	Share Information
	The public holding percentage in respect of non- voting Shares (where applicable)	Not Applicable	
(v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year	Yes	
(vi)	Information pertaining to material foreseeable risk factors of the Entity	Yes	Risk, Opportunities and Internal Controls
(vii)	Details of material issues pertaining to employees and industrial relations of the Entity	Yes	Sustainability Integration, Stakeholder Engagement and Materiality
(viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Yes	Group Real Estate Portfolio
(ix)	Number of shares representing the Entity's stated capital	Yes	
(x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Yes	Share Information
(xi)	Financial ratios and market price information	Yes	
(xii)	Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value	Yes	Notes to the Financial Statements
(xiii)	Details of funds raised through a public issue, rights issue and a private placement during the year	Yes	Share Information
(xiv)	Information in respect of Employee Share Ownership or Stock Option Schemes	Yes	
(xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules	Yes	Corporate Governance Commentary/Note 44 of the Notes to the Financial Statements
(xvi)	Related Party transactions exceeding 10% of the equity or 5% of the total assets of the Entity as per audited financial statements, whichever is lower	Yes	

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
7.10	Compliance		
a./b./c.	Compliance with Corporate Governance Rules	Yes	The Group is in compliance with the Corporate Governance Rules and any deviations are explained where applicable.
7.10.1	Non-Executive Directors (NED)		
a./b./c.	At least 2 members or 1/3 of the Board, whichever is higher should be NEDs	Yes	5 out of 7 Board members are NEDs. The 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.

CORPORATE GOVERNANCE COMMENTARY

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
7.10.2	**Independent Directors**		
a.	2 or 1/3 of NEDs, whichever is higher shall be 'independent'	Yes	All NEDs are Independent.
b.	Each NED to submit a signed and dated declaration of his/her independence or non-independence	Yes	Independence of the Directors has been determined in accordance with CSE Listing Rules and where relevant, Board determinations made. The 5 Independent NEDs have submitted signed declarations confirming independence.
7.10.3	**Disclosures Relating to Directors**		
a./b.	Board shall annually determine the independence or otherwise of NEDs	Yes	All Independent NEDs have submitted declarations as to their independence.
c.	A brief resume of each Director should be included in the annual report including the Directors' experience	Yes	Corporate Governance Commentary
d.	Provide a resume of new Directors appointed to the Board along with details to CSE for dissemination to the public	Yes	Detailed resumes of the new Independent NEDs appointed are submitted to the CSE. Dr. S Coorey was newly appointed 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	An Independent NED is the Chairperson of the Committee.
b.	Remuneration Committee shall recommend the remuneration of the CEO and the Executive Directors	Yes	The remuneration of the Chairperson-CEO and the Executive Directors is determined as per the remuneration principles of the Group and recommended by the Human Resources and Compensation Committee.
c.1	Names of Remuneration Committee members	Yes	Refer Board Committees section of the Annual Report.
c.2	Statement of Remuneration policy	Yes	Refer Director Remuneration section.
c.3	Aggregate remuneration paid to EDs and NEDs	Yes	Refer Director Remuneration section.
7.10.6	**Audit Committee**		
a.1	Audit Committee (AC) shall comprise of NEDs, a majority of whom should be independent	Yes	The Audit Committee comprises only of Independent NEDs.
a.2	A NED shall be the Chairman of the committee	Yes	The Chairperson of the Audit Committee is the Senior Independent NED.
a.3	CEO and CFO should attend AC meetings, unless otherwise determined by AC	Yes	The Chairperson-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 Chairperson of the AC is a member of a recognised professional accounting body.
b.	Functions of the AC	Yes	The AC carries out all the functions prescribed in this section.
b.1	Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with SLFRS/LKAS	Yes	The AC assists the Board in fulfilling its oversight responsibilities for the integrity of the financial statements of the Company and the Group.
b.2	Overseeing the compliance with financial reporting requirements, information requirements as per laws and related regulations and requirements	Yes	The AC has the overall responsibility for overseeing the preparation of financial statements in accordance with the laws and regulations of the country and also recommending to the Board, on the adoption of best accounting policies.
b.3	Overseeing the process to ensure that the internal and risk management controls, are adequate, to meet the requirements of the SLFRS/LKAS	Yes	The AC assesses the role and the effectiveness of the Group Business Process Review division which is largely responsible for internal control and risk management.

CSE Rule		Compliance Status	JKH Action / Reference (within the Report)
b.4	Assessment of the independence and performance of the Entity's External Auditors	Yes	The AC assesses the external auditor's performance, qualifications and independence.
b.5	Make recommendations to the Board pertaining to External Auditors	Yes	The Committee is responsible for recommending the appointment, re-appointment or removal of External Auditors and also providing recommendations on remuneration and terms of Engagement.
c.1	Names of the Audit Committee members shall be disclosed	Yes	Refer Board Committees section.
c.2	Audit Committee shall make a determination of the independence of the external auditors	Yes	Refer Report of the Audit Committee.
c.3	Report on the manner in which Audit Committee carried out its functions and manner of compliance of Company in relation to the above.	Yes	Refer Report of the Audit Committee.

Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the JKH Annual Report)
(a)	Details pertaining to Non-Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(b)	Details pertaining to Recurrent Related Party Transactions	Yes	Notes to the Financial Statements
(c)	Report of the Related Party 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 Related Party Transactions, or a negative statement otherwise	Yes	Annual Report of the Board of Directors

Statement of Compliance pertaining to the Companies Act No. 7 of 2007

MANDATORY PROVISIONS - FULLY COMPLIANT

Rule		Compliance Status	Reference (within the JKH Annual Report)
168 (1) (a)	The nature of the business of the Company or subsidiaries or classes of business in which it has an interest together with any change thereto	Yes	Group Directory
168 (1) (b)	Signed financial statements of the Group and the Company	Yes	Financial Statements
168 (1) (c)	Auditors' Report on financial statements	Yes	Independent Auditors' Report
168 (1) (d)	Accounting policies and any changes thereto	Yes	Notes to the Financial Statements
168 (1) (e)	Particulars of the entries made in the Interests Register	Yes	Annual Report of the Board of Directors
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company	Yes	Notes to the Financial Statements
168 (1) (g)	Corporate donations made by the Company	Yes	Notes to the Financial Statements
168 (1) (h)	Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period	Yes	Group Directory
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered	Yes	Notes to the Financial Statements
168 (1) (j)	Auditors' relationship or any interest with the Company and its Subsidiaries	Yes	Report of the Audit Committee / Financial Statements
168 (1) (k)	Acknowledgement of the contents of this Report and signatures on behalf of the Board	Yes	Financial Statements / Annual Report of the Board of Directors
168 (2)	Information specified in paragraphs (b) to (j) of subsection (1) in relation to Subsidiaries.	Yes	Financial Statements / Annual Report of the Board of Directors

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group remains steadfast in its commitment to being responsible and conducting operations in a sustainable manner whilst focusing on environmental, social and governance aspects.

Sustainable practices remain a strategic priority of the Group and this is ensured through embedding sustainability into day to day operations.

OUR APPROACH

The Group has in place a sound sustainability integration process, management framework and sustainability organisational structure through which sustainable practices are embedded in the Group's operations.

Sustainability Integration Process

The Group's well-established sustainability integration processes and its Sustainability Management Framework (SMF) works alongside other key functions and management systems such as human resources, health and safety and product responsibility processes, as well as risk management, internal audit, legal and statutory compliance and corporate social responsibility initiatives. The SMF is updated on a continuous basis to incorporate changing requirements and updates to the global sustainability landscape.

Sustainability Organisation Structure

The Group firmly embeds sustainability concerns within the Group's strategic planning process, with companies striving to optimise performance from a triple bottom line lens. All business units are required to identify non-financial risks alongside material impacts and include strategies to address these through sustainability initiatives and projects. Business and individual objectives are therefore aligned with overall sustainability goals, resulting in an entrenched culture of sustainability.

The SMF extends beyond Group boundaries, also focusing on the Group's value chain with the purpose of benefiting suppliers and their own dependent supply chains. Through its Supplier Code of Conduct, annual assessment of supply chain partners and ongoing awareness and engagement through Supplier Fora, the Group hopes to have a positive impact on key external stakeholders.

Group Executive Committee

Responsible for formulating and steering the Group's overall sustainability strategy.

Sustainability, Enterprise Risk Management and Group Initiatives Division

Operationalises the SMF and carries out Group-wide processes, including identification of stakeholder and material issues, stakeholder engagements, risk assessments, Group-wide awareness campaigns and overall review and monitoring of the SMF.

Business Units

Each business unit is responsible for their sustainability performance, operating under the umbrella of the Group's SMF. Sustainability Champions under the leadership of their respective Heads of Business/Sector Heads, and working closely with the central sustainability division, have responsibility for implementing sustainability initiatives and management of performance of their individual businesses.

SUSTAINABILITY DISCLOSURES

The Group uses both its Annual Integrated Report and corporate website as the primary means of responding to stakeholder concerns and outlining its sustainability strategy, including materiality assessments and management policies and processes. The data measurement techniques, calculation methodologies, assumptions and estimations applied in the compilation of the sustainability indicators contained in this Report, are in accordance with standard industry practices and the GRI Standard. Such data measurement techniques, methodologies, assumptions and estimations are detailed in the relevant Management Approach Disclosures section and can be found online at *https://keells.com/esg/#sustainability*. Reference to specific information and disclosures required by the GRI Standards can be found through the GRI context index. Figures and statements have been rearranged wherever necessary to conform to the present year's presentation in terms of restatements and comparisons to the previous year.

CHANGES TO THE REPORTING BOUNDARY

During the year under review, four new 'Keells' outlets were added while one was removed due to closure. A centralised distribution centre also was included in the sustainability reporting scope.

OUR STAKEHOLDERS

The Group defines significant stakeholders as those who have significant influence over or are significantly affected by the Group's operations. Given the diverse operations in several industry groups over varied geographical markets, the Group's interacts with a wide range of stakeholders who represent the communities and regions within which it operates.

Identify stakeholders › Mapping and prioritising stakeholders › Stakeholder engagement › Feedback

The Group identifies its internal stakeholders as its business units and employees whilst its external stakeholders consist of shareholders, investors, lenders, customers, suppliers and value chain, business partners, Government and regulatory authorities, peers, pressure groups, media and the community.

The Group has established a number of different platforms for dialogue and communication to incorporate stakeholder perspectives and concerns into the Group's policies and commitments. The mechanisms by which the Group manages and conducts its engagement with significant stakeholders on an ongoing basis, include formal and informal consultations, participation, negotiations, communication, mandatory and voluntary disclosures, certification and accreditation.

The following section details the various methods and frequencies of engagement with its significant stakeholders:

Stakeholder Expectations	Methods of Engagement	Significance of Stakeholder
Customers – individual, corporate B2B		
• Meet requirements for products and services • Ensure high quality and safe products and services • Environmentally and socially responsible products and services	• Road shows, trade fairs and field visits - Annually • One-on-one meetings, discussion forums, progress reviews - Biannually • Customer satisfaction surveys - Quarterly • Information dissemination through printed reports, telephone, SMS, e-mail, corporate website, workshops and business development activities - Ongoing	• Growth of business and brands
Employees – directors, executives, non-executives		
• Provide a safe and enabling environment • Ensure equal opportunity within a meritocratic culture • Enhancement of skills and knowledge, continuous engagement • Work-life balance	• Employee satisfaction surveys, Group-wide year end get-together - Annually • Performance reviews, skip level meetings - Bi-annually • Intranet communications - Regularly • Training and development, team building, joint consultative committees, open door policy, sports events, Corporate Social Responsibility programmes - Ongoing	• Human Capital and productivity
Community – neighbours, community, community leaders, society		
• Stimulate local economy through procurement • Provide direct and indirect employment • Operations with minimal impact on shared natural resources	• Community engagement prior to entry and on exit via one-on-one meetings, workshops, forums – One-off • Regular engagement while operating via one-on-one meetings, workshops, forums - Monthly • Corporate Social Responsibility programmes - Ongoing	• Social license to operate
Institutional investors, fund managers, analysts, leaders, multilateral lenders		
• Consistent economic performance • Economic value generation	• Annual reports, disclosures and reviews – Annually • Quarterly reports - Quarterly • Investor road shows - Regular • Phone calls, e-mail, written communication, websites, one-on-one meetings - Ongoing	• Growth and equity
Government, Government institutions and departments		
• Contribute to economy through strategic investments • Create direct and indirect employment • Timely payment of taxes and levies	• Participation of senior management in chambers and industry associations - Quarterly • Meetings, business forums, newsletters, circulars, presentations and briefings, advisory meetings of industry associates - Ongoing	• Provision of trading conditions

SUSTAINABILITY INTEGRATION, STAKEHOLDER ENGAGEMENT AND MATERIALITY

Stakeholder Expectations	Methods of Engagement	Significance of Stakeholder
Legal and regulatory bodies		
• Compliance with laws and regulations • Practice sound corporate governance	• Participation of senior management in chambers and industry associations - Quarterly • Meetings, periodic disclosures, correspondence - Ongoing	• License to operate
Business partners, principals, suppliers		
• Long-term business relation and adherence to contractual obligations • Knowledge sharing • Representation in business councils and committees	• Distributor conferences, contract renegotiations and reviews, road shows, supplier assessments, supplier fora - Annually • Supplier review meetings - Quarterly • Market reports - Regularly • Conference calls, e-mails, circulars, corporate website and sourcing, contracting and supplier management platform - Ongoing	• Inputs for goods and services
Society, media, pressure groups, NGOs, environmental groups		
• Operate in accordance to social norms, cultures with minimal negative social and environmental impact • Adhere to laws and regulations • Operate as a responsible corporate citizen	• Website, press releases, media briefings, correspondence - Ongoing	• Information and trends
Industry peers and competition		
• Ethical business practices • Participation in business councils and committees	• Participation of senior management in chambers and industry associations - Quarterly • Membership of trade associations, conferences, discussion forums - Regularly	• Collaboration and fair trading conditions

KEY SUSTAINABILITY CONCERNS

Based on the findings of the most recent quantitative and qualitative stakeholder engagements, alongside review of regulatory requirements, risk management process outcomes, input from processes such as grievance handling and human rights related impacts, emerging best practices and attention to media, the Group strives to identify and manage any areas of concern and ensure required action is carried out in a structured manner.

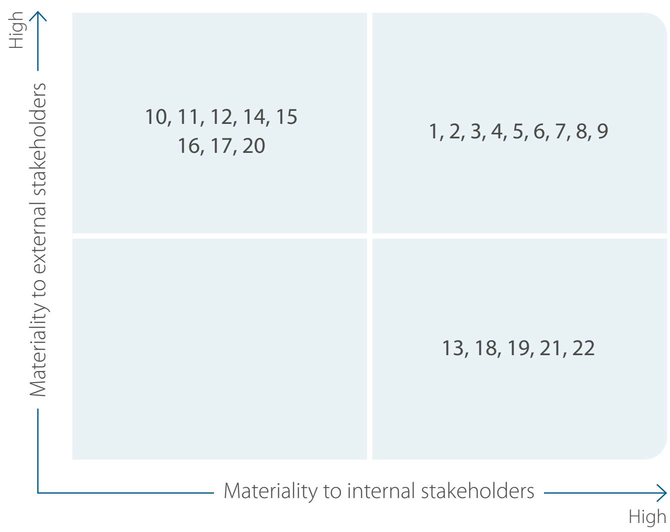
Environmental, social and governance concerns are scrutinised by shareholders and investors alongside their demand for long-term returns on investment and these concerns are responded to and managed through the Group's annual integrated reporting, and through strengthening and updating of its policies and management frameworks as necessary. Such areas of importance to stakeholders such as society, pressure groups and regulatory authorities are issues of high priority that the Group addresses through its environment and biodiversity management systems and policies, in addition to engaging with and positively impacting local communities and its value chain through its corporate social responsibility programme and supplier management frameworks. Supplier assessments highlight any gaps related to material sustainability focus areas and are addressed through supplier engagements methods such as regular meetings and knowledge sharing fora.

During the reporting year, the Group faced challenges related to volatility in the power and energy industry given its reliance on fuel and energy with the focus of moving to renewable sources of energy encouraged and given significant importance. Further disruptions to operations due to macroeconomic vulnerabilities was tackled through relevant mitigative action that assists the Group in managing its operations during the year. The Group also experienced an increase in labour migration triggered by the socio-economic environment in the country for which the Group continues closely monitor employee attrition and adopt measures to manage this to the extent possible.

MATERIALITY

Identification and Management of Material Topics

The Group maps topics that are of concern to stakeholders and are significant in terms of its business to ascertain the criticality and priority for focus and disclosure. The Group continues to assess its internal and external materiality and its reporting scope will be expanded as and when a topic becomes material to the Group and its stakeholders. The prioritisation of material topics for reporting is as depicted below.



Topic Number	Material Topic	Relevant GRI Topic	Change Compared to FY2021/22	Actual/ Potential Impact		Approach
1	Volatility and vulnerabilities in the macroeconomic environment impacting Employees, Consumers, Communities and the Supply Chain		↑	Lower demand, supply disruptions, lower disposable income		Risk and Internal Controls
2	Economic Performance	GRI 201: Economic Performance	-	Economic instability		Financial and Manufactured Capital
3	Loss of skilled staff due to increased local and global competition	GRI 401: Employment	-	Service level and experience		Human Capital
4	Data security and customer privacy / Information governance and security		-	Cyber attacks, loss of data	●	Social and Relationship Capital
5	Regulatory Compliance		-	Compliance and legal issues		Corporate Governance
6	Business continuity and Energy management - Local and global fuel shortages	GRI 302: Energy	↑	Disruptions to operations	●	Natural Capital
7	Increasing prices of product and services and price volatilities in the supply chain	GRI 204: Procurement Practices	-	Disruptions to operations		Risk and Internal Controls
8	Employee attraction, retention and skill resilience		-	Employee attrition	●	Human Capital
9	Changes in Taxation and Government levies	GRI 207: Tax	-	Impacts from policy changes		Corporate Governance
10	Government policy uncertainty		-	Negative impacts from policy changes		Outlook
11	Currency volatility and increased interest rates		-	Increased cost of finance, positive and negative foreign exchange impact		Financial and Manufactured Capital
12	Anti-corruption	GRI 205: Anti-corruption	-	Impact on credibility	●	Social and Relationship Capital
13	Local community development	GRI 413: Local communities	-	Socioeconomic disparity		Social and Relationship Capital
14	Supply chain vulnerabilities due to pandemic and country's economic crisis		-	Disruptions to operations		Risk and Internal Controls
15	Manage environmental impacts created by our operations - Emissions/ Effluents and Waste Management	GRI 302: Energy, GRI 303: Water and Effluents, GRI 305: Emissions, GRI 306: Effluents and Waste, GRI 306: Waste, GRI 307: Environmental Compliance	-	Regulatory issues	● ●	Natural Capital
16	Climate change impact and resilience	GRI 305: Emissions	-	Regulatory issues		Risk and internal controls
17	Employee health and safety	GRI 403: Occupational Health and Safety	-	Loss of working hours/days	●	Human Capital
18	Diversity Equity and Inclusivity in the workplace	GRI 405: Diversity and equal opportunity	-	Discrimination	● ●	Human Capital
19	Brand Communication effectiveness (Ethical marketing and communication)	GRI 417: Marketing and Labelling	-	Brand reputation impact		Social and Relationship Capital
20	Customer relations/ retention		-	Loss of customer confidence		Social and Relationship Capital
21	Reduction of plastic usage and reclamation from customers		-	Brand reputation impact	●	Natural Capital
22	Digitalisation		-			Intellectual Capital

● *Policy in place* ● *Goals in place*

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_2022_23.pdf

RISKS, OPPORTUNITIES AND INTERNAL CONTROLS

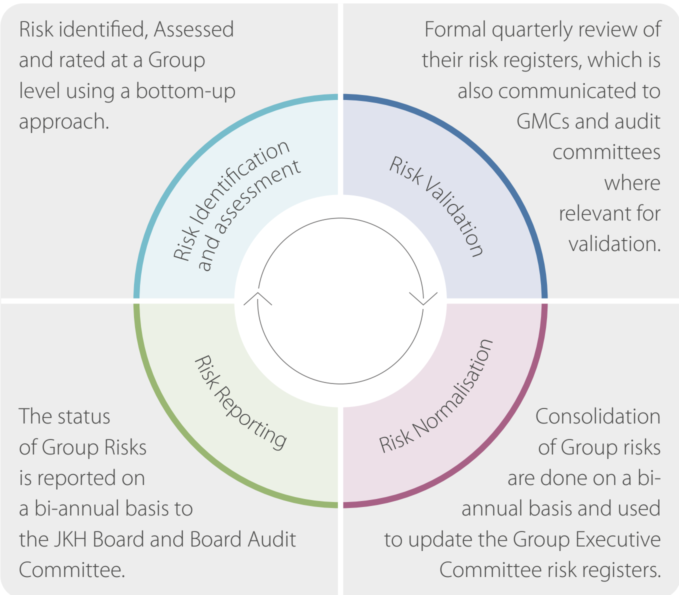
The Group finds it integral to effectively manage risk and uncertainty in its pursuit to build resilient and sustainable businesses. In ensuring this, the Group takes a comprehensive and integrated approach towards Risk Management, with processes incorporating good governance and sustainable development alongside effective risk management practices.

The period under review was a crucial one for the country amidst its economic, social and political challenges and recovery from the Covid-19 pandemic. Despite these challenges faced, the Group was successful in managing its risks and delivering value to its stakeholders equipped with its strong and robust risk management process in place.

Whilst the section that ensues discusses the key highlights for the year under review, the Corporate Website entails a detailed discussion of the risk management processes and related initiatives.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Group's comprehensive enterprise-wide risk management process ensures a structured approach to risk identification and mitigation, while adopting the same under the overall corporate governance and sustainability frameworks.



Key Risks	Rating	Trend
Macroeconomic and political environment	Ultra-High	Risk is Unchanged
Regulatory environment	High	Risk is Unchanged
Financial exposure	Medium	Risk has Increased
Information technology	Medium	Risk is Unchanged
Global competition	Low	Risk is Unchanged
Human resources and talent management	High	Risk is Unchanged
Environment and, health and safety	Low	Risk is Unchanged
Reputation and brand image	Low	Risk is Unchanged
Supply chain risk	High	Risk has Decreased

Risk Rating: Ultra-High · High · Medium · Low
Risk Trend: Risk is Unchanged · Risk has Increased · Risk has Decreased

The year under review experienced the recovery from the pandemic to a greater extent following a successful global and local vaccination drive. The easing of or complete removal of restrictions created a positive sentiment towards travel and movement of goods. However, whilst the risk was downgraded, given the unprecedented nature of the pandemic, equipped with learnings from the previous years, all businesses continued to proactively monitor and revisit the 'pandemic' risk item.

The first half of the year under review proved to be yet another challenging one for the country with increased socio-political unrest triggered by the economic crisis. Addressing the challenges on the macroeconomic front, the Group continued with the various measures rolled-out last year to ensure a sustainable and agile operating model, with a focused view on cash management and liquidity. While the Group had a strong cash position and availability of banking facilities, continued focus was placed on ensuring balance sheet strength to support the investment pipeline of the Group. Continuing from the latter part of the previous year, the year under review was also characterised by significant challenges on the foreign exchange front, coupled with depreciation of the currency towards the first two quarters of the year under review. However, with the country successfully securing the first tranche New Extended Fund Facility (EFF) approved by the International Monetary Fund (IMF) executive board, along with the measures taken by the Central Bank of Sri Lanka in the form of monetary policy improved economic stability towards the latter part of the year, created a positive sentiment. The increased tourist arrivals especially toward the last quarter of the year created a further positive outlook to this end.

While the Group continued to maintain a strong cash position and availability of banking facilities, the Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations through strategies such as matching liabilities with corresponding inflows.

The agile work policy introduced in the previous year continued to prove successful with the Group facilitating remote working and increased digitisation of processes. Continuous and conscious measures were taken to further strengthen the information technology governance and cyber security framework of the Group. The adoption of the NIST Cybersecurity Framework and ZERO Trust model has provided the Group with the required governance, resilience as well as assurance, as deemed necessary, to accelerate the digital adoption across the Group. This will enable any user, any device from any location to be part of the Group's digital ecosystems.

CONSOLIDATING

FINANCIAL INFORMATION

INDEX TO THE FINANCIAL STATEMENTS

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 44th Annual Report of your Company which covers the Audited Financial Statements, Chairperson's Message, Corporate Governance Commentary, Management Discussion and Analysis including Industry Group Review and all the other relevant information for the year ended 31 March 2023. Disclosures which appear in the Share Information section form a part of the Annual Report of the Board of Directors as it is a requirement of the Companies Act No. 07 of 2007.

The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group. The Group's Outlook has been presented in page 135 in the Annual Report.

FINANCIAL STATEMENTS

Financial Statements of the Company and Group for the year ended 31 March 2023, which have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) with the inclusion of the signatures of the Chairperson, Deputy Chairperson/ Group Finance Director and Group Financial Controller, are given as a part of the Integrated Annual Report.

John Keells Holdings PLC

For the year ended 31 March In Rs.'000s	2023	2022
Profit after tax	14,709,284	24,381,407
Other adjustments	(714,742)	(3,810)
Balance brought forward from the previous year	89,889,818	67,557,002
Amount available for appropriation	103,884,360	91,934,599
Interim dividends of Rs.1.50 per share (2022-Rs.1.00) paid out of dividend received	(2,077,375)	(1,352,323)
Final dividend declared Rs.0.50 (2022-Rs.0.50)	(692,458)	(692,458)
Balance to be carried forward to the next year	101,114,527	89,889,818

PRINCIPAL ACTIVITIES

John Keells Holdings PLC (the Company), the Group's Holding Company, manages a portfolio of holdings consisting of a range of diverse business operations, which, together, constitute the John Keells Group (the Group), and provides function-based services to its subsidiaries, joint ventures and associates.

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes to the principal activities of the Company or its subsidiaries during the year.

CORPORATE VISION AND VALUES

A culture of innovation, integrity, excellence, caring and trust has been developed within the Group. By being aligned with these values the Directors and employees conduct their activities to achieve the vision, "Building businesses that are leaders in the region".

REVIEW OF BUSINESS SEGMENTS

A review of the financial and operational performance and future business developments of the Group, sectors, and its business units are described in the Management Discussion and Analysis section of the Annual Report. Significant changes to business combinations and acquisition of non-controlling interests are provided in Note 10 to the Financial Statements. These reports, together with the audited financial statements, reflect the state of affairs of the Company and the Group. The segment-wise contribution to Group revenue, results, assets and liabilities are provided in Note 8 to the Financial Statements.

FINANCIAL RESULTS AND APPROPRIATIONS

Accounting Policies

All the significant accounting policies adopted by the Company and Group are provided in the Notes to the Financial Statements. There have been no changes in the accounting policies adopted by the Group during the year under review. For all periods up to and including the year ended 31 March 2023, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Revenue

Revenue generated by the Company amounted to Rs.2,544 Mn (2022– Rs.1,876 Mn), whilst Group revenue amounted to Rs.276,640 Mn (2022 – Rs.218,075 Mn). Contribution to Group revenue, from the different business segments, is provided in Note 8 to the Financial Statements.

Profit and Appropriations

The profit after tax of the Company was Rs.14,709 Mn (2022 – Rs.24,381 Mn) whilst the Group profit attributable to equity holders of the parent for the year was Rs.18,174 Mn (2022 - Rs.20,213 Mn).

The Company's total comprehensive income net of tax was Rs.15,925 Mn (2022 - Rs.26,570 Mn), and the Group total comprehensive income attributable to parent was Rs.24,449 Mn (2022 - Rs.76,733 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

A final dividend will be paid on or before 21 June 2023 to those shareholders on the register as of 31 May 2023.

CAPITAL EXPENDITURE

The Company's and Group's capital expenditure on property, plant and equipment amounted to Rs.102 Mn (2022 - Rs.14 Mn) and Rs.7,074 Mn (2022 - Rs.6,627 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 Nil (2022 - Rs.30 Mn) and Rs.1,296 Mn (2022 - Rs.1,360 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 2022 and the carrying value amounted to Rs.110,716 Mn (2022 - Rs.101,326 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 2022, and the carrying value amounted to Rs.33,029 Mn (2022- Rs.30,608 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 2023, 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 2023 of the Company amounted to Rs.73,188 Mn (2022 - Rs.73,188 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.

ISSUE OF UNLISTED CONVERTIBLE DEBENTURES TO HWIC ASIA FUND, A SUBSIDIARY OF FAIRFAX FINANCIAL HOLDINGS LIMITED

John Keells Holdings PLC raised foreign direct investments of Rs.27.06 billion by way of an unlisted convertible debenture issue to HWIC Asia Fund, a subsidiary of Fairfax Holdings Limited, on 12 August 2022.

REVENUE RESERVES

Revenue reserves as at 31 March 2023 for the Company and Group amounted to Rs.101,807 Mn (2022 - Rs.90,582 Mn) and Rs.121,743 Mn (2022 - Rs.109,087 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 2023, 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 2023 and their brief profiles are given in the Corporate Governance section of the Annual Report.

RETIREMENT AND RE-ELECTION OF DIRECTORS

Retirement and Re-Election of Directors of the Company as at 31 March 2023 are given in the Proxy Form.

REVIEW OF THE PERFORMANCE OF THE BOARD

The performance of the board has been appraised through a formalised process, where each individual Director anonymously comments on the dynamics of the Board. The process is described in the Corporate Governance Commentary section of the Annual Report.

BOARD COMMITTEES

Information relating to members of the Audit Committee, Human Resources and Compensation Committee, Nominations Committee, Related Party Transactions Review Committee and Project Risk Assessment Committee, including reports of each of the committees, where applicable, and attendance of Directors for each of the committee meetings, are disclosed in the Corporate Governance Commentary section of the Annual Report.

INTERESTS REGISTER AND INTERESTS IN CONTRACTS

The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007.

This Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

The Directors have all made a general disclosure relating to share dealings and indemnities and remuneration to the Board of Directors as permitted by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any Director. The Interest Register is available at the registered head office of the Company, in keeping with the requirements of the section 119 (1) (d) of the Companies Act No 7 of 2007.

SHARE DEALINGS

Other than for following entries, particulars of the Company interest register are disclosed in the Share Information section of the Annual Report.

John Keells Holdings PLC

- Phoenix Ventures (Pvt) Ltd [M A Omar - (resigned w.e.f. 27 June 2022) and A N Fonseka - Directors] Purchase of 6,829,622 shares
- Mr. D A Cabraal (Director) Purchase of 100,000 shares

Given below are the particulars of share dealings of subsidiaries reported, for subsidiaries which are public companies, or private companies, which have not dispensed with the requirement to maintain an interest register for the period from 1 April 2022 to 31 March 2023.

Ceylon Cold Stores PLC

- K C Subasinghe (Director) - Purchase of 45,000 shares

INDEMNITIES AND REMUNERATION

The Board approved the payment of remuneration of the following Executive Directors for the period of 1 April 2022 to 31 March 2023 comprising of;

- A fixed element

- A short term variable incentive based on the individual performance, organisation performance and role responsibility based on the results of the financial year 2021/2022, and

- A long term incentive plan including employee share options in John Keells Holdings PLC.

John Keells Holdings PLC

- K N J Balendra
- J G A Cooray

Ceylon Cold Stores PLC

- D P Gamlath
- P N Fernando

Cinnamon Hotel Management Ltd

- J E P Kehelpannala (retired w.e.f. 31 December 2022)
- 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 Group.

John Keells Holdings PLC

- D A Cabraal
- A N Fonseka
- S S H Wijayasuriya
- M P Perera
- S A Coorey (appointed w.e.f 1 January 2023)

Asian Hotels & Properties PLC

- J Durairatnam
- A S De Zoysa
- A Nanayakkara

Ceylon Cold Stores PLC

- M Hamza
- R S W Wijeratnam
- S T Ratwatte

John Keells PLC

- A K Gunawardhana
- B A I Rajakarier
- C N Wijewardane

John Keells Hotels PLC

- A K Moonesinghe
- H Premaratne (appointed w.e.f 7 July 2022)
- K A Gunasekera

Keells Food Products PLC

- S De Silva
- A E H Sanderatne
- I Samarajiva
- P D Samarasinghe

Tea Smallholders Factories PLC

- A Goonetilleke
- S K L Obeyesekere
- A S Jayatilleke

Trans Asia Hotels PLC

- N L Gooneratne
- H A J De S Wijeyeratne
- S A Atukorale (appointed w.e.f 22 June 2022)

Union Assurance PLC

- D H Fernando
- S A Appleyard

Fees payable to Non-Executive Nominee Directors of John Keells Holdings PLC was paid to John Keells Holdings PLC and not to individual Directors.

During the 2022/2023 financial following Non-Executive Directors retired/resigned from the boards of the John Keells Group.

- M A Omar retired from the John Keells Holdings PLC Board w.e.f 27 June 2022.
- T L F W Jayasekera retired from the John Keells Hotels PLC board w.e.f 22 June 2022.
- J E P Kehelpannala resigned from the John Keells Hotels PLC board w.e.f 31 December 2022 consequent to his retirement from the Group.
- J C Ponniah retired from the Trans Asia Hotels PLC board w.e.f 21 June 2022.
- W M De Fonseka Arsakularatne resigned from the Union Assurance PLC board w.e.f 6 March 2023.

DIRECTORS' REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out in Note 44.7 to the Financial Statements.

RELATED PARTY TRANSACTIONS

The Company's transactions with Related Parties, given in Note 44 to the Financial Statements, have complied with the 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 Tenth and Eleventh plans approved by the shareholders on 28 June 2019 and 24 June 2022 respectively.

The Directors confirm that the Company has not granted any funding to employees to exercise options.

Details of the options granted, options exercised, the grant price and the options cancelled or lapsed and outstanding as at the date of the Directors' Report, as required by the Listing Rules of the Colombo Stock Exchange, are given under the Share Information section of the Annual Report.

The highest, lowest and the closing prices of the Company shares are disclosed in the Share Information section of the Annual Report.

EMPLOYMENT

The Group adopts 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 2023 was 145 (2022 - 152) and 15,943 (2022 - 15,551), respectively.

There have been no material issues pertaining to employees and industrial relations of the Company and the Group.

EQUITY & INCLUSION POLICY

The Group recognises the importance of diversity, equity and inclusion and the role it plays in ensuring workplace respect, organisational success and sustainability for all stakeholders. In this regard, it is committed to providing a working environment where all employees are included, their diversity is embraced and where their contributions are valued. The Group believes that its workforce should reflect the diversity of the communities in which its businesses operate and the diverse set of stakeholders it creates value for, within the organisation and with its partners and vendors, and that positive relationships with stakeholder groups, which are also diverse and inclusive, will enable businesses to further augment its diversity and growth journey.

The Group recognises that organisations that constitute diverse and inclusive workforces are best placed to innovate, retain talent and deliver better overall results and firmly believes that it can achieve its highest potential through bringing together diverse perspectives and backgrounds. It is committed to advancing a culture of equitable inclusion amongst its workforce and value chain and ensuring that the dignity and diversity of all employees and value chain partners are respected.

SUPPLIER POLICY

The Group applies an overall policy of agreeing and clearly communicating the terms of payment as part of the commercial agreements negotiated with suppliers, and endeavours to pay for all items in accordance with these agreed terms. The significant macroeconomic volatility and impacts on supply chains during the first half of the year necessitated discussions with suppliers to ensure minimal disruptions in operations. As at 31 March 2023, the trade and other payables of the Company and Group amounted to Rs.631 Mn (2022 - Rs.566 Mn) and Rs.29,866 Mn (2022 - Rs.43,469 Mn), respectively.

The Group strives to integrate principles of sustainable practices and policies in its value chain through extensive stakeholder consultations, the findings of which are integrated into work-plans.

RATIOS AND MARKET PRICE INFORMATION

The ratios relating to listed equity, debt and market price information as required by the listing requirements of the Colombo Stock Exchange are given under the Share Information section of this Report.

CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework by effectively implementing systems and structures required to ensuring best practices in Corporate Governance. The manner in which the Company has complied with Section 7.10 of the Listing Rules of the Colombo Stock Exchange (CSE) on Corporate Governance are contained in the Corporate Governance section of this report.

SUSTAINABILITY

The Group pursues its business goals based on a model of stakeholder governance. Findings of the continuous internal stakeholder engagements have enabled the Group to focus on material issues such as the conservation of natural resources and the environment as well as material issues highlighted by other stakeholders such as employees, customers, suppliers and the community. These steps have been encapsulated in a Group-wide strategy focused on sustainable development which is continuously evolving based on the above mentioned stakeholder engagements.

This is the Group's eighth Integrated Annual Report, which presents a comprehensive discussion on its financial and non-financial performance, in a bid to provide its stakeholders with holistic information relating to its value creation proposition through the six forms of capital reported under the International <IR> Framework. The Group has sought independent third-party assurance from DNV GL, represented in Sri Lanka by DNV Business Assurance Lanka (Pvt) Ltd, in relation to the non-financial information contained in this report.

RESEARCH AND DEVELOPMENT

The Group has an active approach to research and development and recognises the contribution that it can make to intellectual property and the Group's operations. Significant expenditure has taken place over the years and substantial efforts will continue to be made to introduce intellectual property rights, develop new products and processes and improve the operational efficiency of existing products and processes.

ENVIRONMENTAL PROTECTION

The Group complies with the relevant environmental laws, regulations and endeavours to comply with best practices applicable in the country of operation.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

John Keells Foundation, which is funded by JKH and its subsidiaries, handles most of the Group's CSR initiatives and activities. The Foundation manages a range of programmes that underpin its key principle of acting responsibly towards its stakeholders and to bring about sustainable development in the focus areas. The CSR initiatives, including completed and on-going projects, are detailed in the Group Consolidated Review section in the Annual Report.

In quantifying the Group's contribution to CSR initiatives and activities, no account has been taken of in-house costs or management time.

DONATIONS

Total donations made by the Company and the Group during the year amounted to Rs.101 Mn (2022 - Rs.3 Mn) and Rs.107 Mn (2022 - Rs.8.5 Mn), respectively, in relation to the Group's decision to support the only ambulance service in the country. 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 Chairperson of the Audit Committee. Reports of the outsourced internal auditors are also reviewed by the Committee.

EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting period, which would have any material effect on the Company or on the Group other than those disclosed in Note 48 to the Financial Statements.

GOING CONCERN

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

APPOINTMENT AND REMUNERATION OF INDEPENDENT AUDITORS

Messrs. Ernst & Young, Chartered Accountants, are willing to continue as Auditors of the Company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting.

The Independent Auditors' Report is found in the Financial Statements section of the Annual Report.

The Audit Committee reviews the appointment of the Auditor, its effectiveness, its independence and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

The Group works with 3 firms of Chartered Accountants across the Group, namely, Ernst & Young, KPMG and PricewaterhouseCoopers. Details of audit fees are set out in Note 18 to the Financial Statements. The Auditors do not have any relationship (other than that of an Auditor) with the Company or any of its subsidiaries.

Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report.

INTEGRATED ANNUAL REPORT

The Board of Directors approved the consolidated financial statements on 23 May 2023. The requisite number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

ANNUAL GENERAL MEETING

The Notice of Meeting of the Annual General Meeting appears in the Supplementary Information section of the Annual Report.

This Annual Report is signed for and on behalf of the Board of Directors.

By Order of the Board

Director

Director

Keells Consultants (Pvt) Ltd
Secretaries
23 May 2023

THE STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the financial statements is set out in the following statement. The responsibility of the auditors, in relation to the financial statements prepared in accordance with the provision of the Companies Act No. 7 of 2007, is set out in the Report of the Auditors.

The financial statements comprise of:

- income statement and statement of comprehensive income of the Company and its subsidiaries, which present a true and fair view of the financial performance of the Company and its subsidiaries for the financial year; and
- a statement of financial position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year: and

The Directors are required to confirm that the financial statements:

have been prepared:

- using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

are

- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- provide the information required by and otherwise comply with the Companies Act and the Listing Rules of the Colombo Stock Exchange.

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy, the financial position of the Company and of the Group.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and of the Group and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

As required by Section 56 (2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company, based on the information available, satisfies the solvency test immediately after the distribution, in accordance with Section 57 of the Companies Act No. 7 of 2007, and have obtained a certificate from the auditors, prior to declaring all dividend. A final dividend will be paid on or before 21 June 2023 to those shareholders on the register as of 31 May 2023.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the reporting date have been paid, or where relevant provided for, except as specified in Note 45 to the Financial Statements covering contingent liabilities.

By order of the Board

Keells Consultants (Pvt) Ltd
Secretaries
23 May 2023

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF JOHN KEELLS HOLDINGS PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of John Keells Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, 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 2023, 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
Assessment of fair value of land and buildings Property, Plant and Equipment and investment Property include land and buildings carried at fair value. The fair values of land and buildings were determined by an external valuer engaged by the Group. This was a key audit matter due to: • Materiality of the reported fair value of land and buildings balances which amounted to Rs.144 Bn and represent 19% of the total assets. • The degree of assumptions, judgements and estimation uncertainties associated with fair valuation of land and buildings such as reliance on comparable market transactions, and current market conditions. Key areas of significant judgments, estimates and assumptions used in the valuation of the land and buildings included the following: • Estimate of per perch value of the land • Estimate of the per square foot value of the buildings	Our audit procedures were based on the best available information as at date of this report and focused on the valuations performed by the external valuer engaged by the Group. Our procedures included the following; • Assessed the competency, capability and objectivity of the external valuer engaged by the Group. • Read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the valuation of each land and building. • Assessed the reasonableness of the significant judgements made by the valuer and valuation techniques, per perch price and value per square foot used by the valuer in the valuation of each land and building. We assessed the adequacy of the disclosures made in Notes 22 and 24 relating to the significant judgements, valuation techniques and estimates used by the external valuer.

INDEPENDENT AUDITORS' REPORT

Key audit matter	How our audit addressed the key audit matter
Work In Progress of Waterfront Project Capital work in progress of Waterfront project stated under Property, Plant and Equipment amounting to Rs.228 Bn represents 31% of total assets of the Group as at 31 March 2023. This was a key audit matter due to; • The materiality of the reported balance and the possible impairment indicators that may exist due to the heightened costs to complete the project and the prevailing economic conditions in the country. • The degree of assumptions, judgements and estimates associated with deriving the estimated future cash flows used to ascertain the recoverable amount of the Waterfront project.	Our procedures performed included; • Understanding the process followed by the management including the basis of judgments and assessments to estimate the future estimated costs to complete the project. • Performing tests of expenditure and allocation of overheads including an examination of management's assessment as to whether the expenditure met the recognition and measurement criteria set forth in the accounting policies of the Group. • Reviewing the project status reports and the certificates issued by the project manager to identify the status of the project and the estimated and actual costs incurred. • Checking the calculation of the discounted future cash flows and cross checking the data to relevant underlying accounting records and assessing the reasonableness of the significant assumptions such as occupancy levels, EBITDA margins and management cost assumptions in cashflow projections to determine the future recoverable amount of the project. We assessed the adequacy of the Group's disclosures of its capitalisation policy and other related disclosures in Note 22.
Life insurance contract liabilities Life Insurance Contract Liabilities amounting to Rs. 58Bn, represent 15% of total liabilities of the Group as at 31 March 2023, and are determined based on an actuarial valuation as described in Note 36 to the financial statements. This was a key audit matter due to: • Materiality of the reported Life Insurance Contract Liabilities. • The degree of assumptions, judgements and estimation uncertainty associated with the actuarial valuation of Life Insurance Contract Liabilities. • Liability adequacy test carried out to ensure the adequacy of the carrying value of Life Insurance Contract Liabilities. Key areas of significant judgments, estimates and assumptions used in the valuation of the Life Insurance Contract Liabilities included the following: • The determination of assumptions such as mortality, morbidity, lapses and surrenders, loss ratios, bonus, interest rates, discount rates and related claim handling expenses.	To assess the reasonableness of the Life Insurance Contract Liabilities, our audit procedures included amongst others the following and were based on the best information available up to date of this report: • Involved the component auditor of the subsidiary company to perform the audit procedures to assess the reasonableness of the assumptions and test the controls over the process of estimating the insurance contract liabilities. • Involved the internal expert of component auditor of the subsidiary company to assess the reasonableness of the assumptions used in the valuations of the insurance contract liabilities. We assessed the adequacy of the disclosures and the movement in the insurance contract liabilities in Note 36.
Compliance with interest bearing loan covenants As of the reporting date, the Group reported total interest-bearing borrowings of Rs. 173Bn, of which Rs. 13Bn is reported as current liabilities and the balance Rs. 160Bn as non-current liabilities. Interest bearing borrowings was a key audit matter due to the existence of numerous financial and non-financial covenants, the breach of which could impact the classification of the loans in the financial statements.	Our audit procedures included amongst others the following: • Assessed the design and operating effectiveness of controls implemented for recording of the borrowings, monitoring, evaluating and timely reporting on covenant compliances in relation to interest bearing borrowings • Obtained an understanding of the covenants attached to borrowings, by perusing the loan agreements. • Obtained direct confirmations from financial institutes. We assessed the adequacy and appropriateness of the disclosures made in Note 37 relating to interest bearing borrowings.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2022/23 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Group.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2097.

Ernst & Young

23 May 2023
Colombo

INCOME STATEMENT

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Continuing operations					
Revenue from contracts with customers		260,687,372	202,849,175	2,543,712	1,875,722
Revenue from insurance contracts		15,952,535	15,225,571	-	-
Total revenue	14	**276,639,907**	**218,074,746**	**2,543,712**	**1,875,722**
Cost of sales		(227,190,277)	(180,430,008)	(1,166,753)	(1,085,049)
Gross profit		**49,449,630**	**37,644,738**	**1,376,959**	**790,673**
Dividend income	15	-	-	10,635,000	8,007,649
Other operating income	16.1	3,260,621	2,614,793	41,219	51,344
Selling and distribution expenses		(8,266,060)	(5,732,694)	-	-
Administrative expenses		(21,927,758)	(14,762,643)	(2,087,177)	(1,283,215)
Other operating expenses	16.2	(9,825,773)	(12,456,008)	(748,154)	(514,478)
Results from operating activities		**12,690,660**	**7,308,186**	**9,217,847**	**7,051,973**
Finance cost	17	(17,802,868)	(7,034,757)	(8,778,825)	(2,966,139)
Finance income	17	26,899,776	30,806,179	16,327,902	24,198,282
Change in insurance contract liabilities	36.2	(7,650,232)	(6,416,299)	-	-
Change in fair value of investment property	24	878,538	(4,084,755)	-	-
Share of results of equity accounted investees (net of tax)	27.3	7,573,543	6,745,939	-	-
Profit before tax	18	**22,589,417**	**27,324,493**	**16,766,924**	**28,284,116**
Tax expense	21.1	(3,693,293)	(6,881,586)	(2,057,640)	(3,902,709)
Profit for the year		**18,896,124**	**20,442,907**	**14,709,284**	**24,381,407**
Attributable to:					
Equity holders of the parent		18,173,868	20,212,968		
Non-controlling interests		722,256	229,939		
		18,896,124	**20,442,907**		
		Rs.	Rs.		
Earnings per share					
Basic	19.1	13.12	15.13		
Diluted	19.2	13.12	15.12		
Dividend per share	20	2.00	1.50		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 220 to 302 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit for the year		18,896,124	20,442,907	14,709,284	24,381,407
Other comprehensive income					
Other comprehensive income to be reclassified to Income Statement in subsequent periods					
Currency translation of foreign operations		4,936,383	50,010,858	-	-
Net gain/(loss) on cash flow hedges		1,287,023	2,612,965	1,287,023	2,199,499
Net gain/(loss) on financial instruments at fair value through other comprehensive income		(1,423,636)	(1,629,621)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)		1,688,853	3,965,050	-	-
Net other comprehensive income to be reclassified to Income Statement in subsequent periods		6,488,623	54,959,252	1,287,023	2,199,499
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		(2,312)	(16,145)	(22,511)	(6,923)
Revaluation of land and buildings	22.1	8,002,843	4,626,359	-	-
Re-measurement gain / (loss) on defined benefit plans	38.2	81,295	24,720	(49,113)	(3,810)
Share of other comprehensive income of equity accounted investees (net of tax)		(47,870)	13,541	-	-
Net other comprehensive income not to be reclassified to Income Statement in subsequent periods		8,033,956	4,648,475	(71,624)	(10,733)
Tax on other comprehensive income	21.2	(7,688,637)	(806,930)	-	-
Other comprehensive income for the period, net of tax		6,833,942	58,800,797	1,215,399	2,188,766
Total comprehensive income for the period, net of tax		25,730,066	79,243,704	15,924,683	26,570,173
Attributable to :					
Equity holders of the parent		24,448,793	76,732,956		
Non-controlling interests		1,281,273	2,510,748		
		25,730,066	79,243,704		

Figures in brackets indicate deductions.
The accounting policies and notes as set out in pages 220 to 302 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March In Rs.'000s	Note	GROUP 2023	 2022	COMPANY 2023	 2022
ASSETS					
Non-current assets					
Property, plant and equipment	22	362,096,999	124,347,604	140,420	83,233
Right- of - use assets	23	54,184,946	53,481,574	-	-
Investment properties	24	33,029,385	30,607,550	-	-
Intangible assets	25	5,792,766	5,399,338	62,812	94,363
Investments in subsidiaries	26	-	-	198,074,611	116,966,595
Investments in equity accounted investees	27	38,486,146	33,865,556	16,217,500	13,261,772
Non-current financial assets	28	63,957,051	48,690,489	4,404,983	3,083,037
Deferred tax assets	21.4	2,582,275	1,554,438	-	-
Other non-current assets	29	1,571,304	180,919,979	125,931	119,755
		561,700,872	478,866,528	219,026,257	133,608,755
Current assets					
Inventories	30	39,094,514	36,224,887	-	-
Trade and other receivables	31	21,508,078	27,495,348	207,733	103,914
Amounts due from related parties	44.1	317,700	196,394	1,177,616	660,699
Other current assets	32	14,570,452	11,914,461	1,695,635	816,604
Short term investments	33	82,221,822	110,721,544	57,473,253	83,972,660
Cash in hand and at bank		25,092,977	52,376,531	8,232,006	27,362,010
		182,805,543	238,929,165	68,786,243	112,915,887
Total assets		744,506,415	717,795,693	287,812,500	246,524,642
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Stated capital	34.1	73,187,861	73,187,861	73,187,861	73,187,861
Revenue reserves		121,743,376	109,087,163	101,806,985	90,582,276
Other components of equity	34.2	146,091,034	129,011,413	18,055,005	6,010,081
		341,022,271	311,286,437	193,049,851	169,780,218
Non-controlling interest		19,396,186	18,805,036	-	-
Total equity		360,418,457	330,091,473	193,049,851	169,780,218
Non-current liabilities					
Insurance contract liabilities	36	58,907,310	51,349,323	-	-
Interest-bearing loans and borrowings	37	159,778,892	158,921,898	66,907,718	64,634,033
Lease liabilities	23	32,052,489	30,066,952	-	-
Deferred tax liabilities	21.4	19,687,569	12,016,404	2,841,984	2,841,984
Employee benefit liabilities	38	2,559,632	3,106,617	219,756	297,969
Non-current financial liabilities	39	20,107,025	2,413,880	18,380,148	-
Other non-current liabilities	40	286,236	220,203	-	-
		293,379,153	258,095,277	88,349,606	67,773,986
Current liabilities					
Trade and other payables	41	29,866,282	43,469,407	631,405	566,252
Amounts due to related parties	44.2	3,615	1,818	58,244	20,912
Income tax liabilities	21.3	1,798,855	2,618,554	888,214	880,969
Short term borrowings	42	8,701,652	14,833,056	1,300,000	2,000,000
Interest-bearing loans and borrowings	37	12,839,426	40,624,448	3,344,997	2,562,994
Lease liabilities	23	2,258,653	3,459,496	-	-
Other current liabilities	43	5,191,579	4,280,387	17,811	-
Bank overdrafts		30,048,743	20,321,777	172,372	2,939,311
		90,708,805	129,608,943	6,413,043	8,970,438
Total equity and liabilities		744,506,415	717,795,693	287,812,500	246,524,642

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.

K M Thanthirige
Group Financial Controller
The Board of Directors is responsible for these financial statements.

K N J Balendra
Chairperson

J G A Cooray
Deputy Chairperson/Group Finance Director

The accounting policies and Notes as set out in pages 220 to 302 form an integral part of these financial statements.

23 May 2023
Colombo

STATEMENT OF CASH FLOWS

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
OPERATING ACTIVITIES					
Profit before working capital changes	A	13,519,212	18,846,184	(700,449)	(254,366)
(Increase) / Decrease in inventories		(1,436,464)	31,067,158	-	-
(Increase) / Decrease in trade and other receivables		6,228,264	(24,703,584)	(1,613,836)	812,586
(Increase) / Decrease in other current assets		(2,913,286)	(3,524,277)	(1,563,482)	(645,703)
Increase / (Decrease) in non-current financial liabilities		(611,355)	(833,606)	-	-
Increase / (Decrease) in trade, other payables and other non-current liabilities		(10,489,973)	(16,365,525)	102,485	202,013
Increase / (Decrease) in other current liabilities		909,897	2,844,022	17,811	(20,796)
Increase / (Decrease) in insurance contract liabilities		7,557,987	6,188,712	-	-
Cash generated from operations		**12,764,282**	**13,519,084**	**(3,757,471)**	**93,734**
Finance income received		24,591,483	21,401,703	13,711,513	12,728,549
Finance cost paid		(21,620,166)	(4,682,977)	(6,036,736)	(2,823,070)
Dividend received		5,705,389	3,587,940	10,402,546	7,782,432
Tax paid		(6,143,062)	(3,116,944)	(2,050,396)	(892,485)
Surcharge tax paid		(1,749,052)	-	(665,629)	-
Gratuity paid		(267,819)	(269,012)	(3,886)	(1,775)
Net cash flows from operating activities		**13,281,055**	**30,439,794**	**11,599,941**	**16,887,385**
INVESTING ACTIVITIES					
Purchase and construction of property, plant and equipment	22.1, 22.2	(7,073,858)	(6,626,776)	(102,340)	(14,160)
Purchase of intangible assets		(324,121)	(580,932)	-	(30,165)
Addition to investment property	24	-	(386,987)	-	-
Increase in interest in subsidiaries		-	-	(80,912,944)	(15,488,558)
(Increase) / decrease in non-current assets		(31,650,785)	(26,275,996)	-	-
Increase in interest in equity accounted investees		(2,724,276)	(2,946,672)	(2,723,273)	(2,945,921)
Proceeds from sale of property, plant and equipment, Intangible assets and investment property		400,669	1,600,605	-	5,670
Proceeds from sale of financial instruments - fair value through profit or loss		3,769,663	3,662,251	-	-
Purchase of financial instruments - fair value through profit or loss		(4,133,677)	(3,059,517)	-	-
(Purchase) / disposal of deposits and government securities (net)		(36,905,173)	77,079,443	(19,516,441)	82,967,106
(Purchase) / disposal of non-current financial assets (net)		(247,281)	(111,553)	27,894	(2,140)
Exercise of contingent consideration		-	(2,991,093)	-	-
Net cash flows from/(used in) investing activities		**(78,888,839)**	**39,362,773**	**(103,227,104)**	**64,491,832**
FINANCING ACTIVITIES					
Proceeds from issue of convertible debentures		27,056,250	-	27,056,250	-
Proceeds from issue of shares		-	10,077,911	-	10,077,911
Dividend paid to equity holders of parent		(2,769,833)	(2,012,192)	(2,769,833)	(2,012,192)
Dividend paid to shareholders with non-controlling interest		(388,897)	(409,397)	-	-
Proceeds from long term borrowings	37.1	2,077,091	53,876,802	-	3,000,000
Repayment of long term borrowings	37.1	(45,034,878)	(34,946,688)	(1,837,500)	(1,474,806)
Payment of principal portion of lease liabilities		(4,308,342)	(2,822,370)	-	-
Proceeds from (repayment of) other financial liabilities (net)		(5,277,692)	7,929,319	(700,000)	2,000,000
Net cash flows from / (used in) financing activities		**(28,646,301)**	**31,693,385**	**21,748,917**	**11,590,913**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(94,254,085)	101,495,952	(69,878,246)	92,970,130
CASH AND CASH EQUIVALENTS AT THE BEGINNING		134,564,103	33,068,151	107,885,292	14,915,162
CASH AND CASH EQUIVALENTS AT THE END		**40,310,018**	**134,564,103**	**38,007,046**	**107,885,292**
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Favourable balances					
Short term investments (less than 3 months)	33	45,265,784	102,509,349	29,947,412	83,462,593
Cash in hand and at bank		25,092,977	52,376,531	8,232,006	27,362,010
Unfavourable balances					
Bank overdrafts		(30,048,743)	(20,321,777)	(172,372)	(2,939,311)
Total cash and cash equivalents		**40,310,018**	**134,564,103**	**38,007,046**	**107,885,292**

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 220 to 302 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	2022	COMPANY 2023	2022
A Profit before working capital changes					
Profit before tax		22,589,417	27,324,493	16,766,924	28,284,116
Adjustments for:					
Finance income	17	(26,899,776)	(30,806,179)	(16,327,902)	(24,198,282)
Dividend income	15	-	-	(10,635,000)	(8,007,649)
Finance costs	17	17,802,868	7,034,757	8,778,825	2,966,139
Share based payment expense	35	274,062	204,618	78,989	61,117
Change in fair value of investment property	24	(878,538)	4,084,755	-	-
Share of results of equity accounted investees	27.3	(7,573,543)	(6,745,939)	-	-
Depreciation of property, plant and equipment	22.1, 22.2	6,280,610	5,014,204	45,153	38,590
Provision for impairment	16.2	1,106,367	4,886,733	684,451	506,246
(Profit) / loss on sale of property, plant and equipment and intangible assets	16.1, 16.2	(14,230)	(62,198)	-	(2,532)
Amortisation of right- of - use assets	23.1	4,151,230	2,841,789	-	-
Amortisation of intangible assets	25.1	852,249	703,906	31,551	33,324
Employee benefit provision and related costs		(195,682)	584,154	(123,440)	64,565
Unrealised (gain) / loss on foreign exchange (net)		(3,975,822)	3,781,091	-	-
		13,519,212	18,846,184	(700,449)	(254,366)

STATEMENT OF CHANGES IN EQUITY

COMPANY In Rs.'000s	Stated capital	Other capital reserve	Cash flow hedge reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total equity
As at 1 April 2021	63,101,661	2,863,766	729,316	28,094	68,216,871	134,939,708
Profit for the year	-	-	-	-	24,381,407	24,381,407
Other comprehensive income	-	-	2,199,499	(6,923)	(3,810)	2,188,766
Total comprehensive income	-	-	2,199,499	(6,923)	24,377,597	26,570,173
Private placement of ordinary shares	10,048,991	-	-	-	-	10,048,991
Exercise of share options	28,920	-	-	-	-	28,920
Share based payments	8,289	196,329	-	-	-	204,618
Final dividend paid - 2020/21	-	-	-	-	(659,869)	(659,869)
Interim dividends paid - 2021/22	-	-	-	-	(1,352,323)	(1,352,323)
As at 31 March 2022	73,187,861	3,060,095	2,928,815	21,171	90,582,276	169,780,218
As at 1 April 2022	73,187,861	3,060,095	2,928,815	21,171	90,582,276	169,780,218
Adjustment for Surcharge Tax	-	-	-	-	(665,629)	(665,629)
As at 1 April 2022 (Adjusted)	73,187,861	3,060,095	2,928,815	21,171	89,916,647	169,114,589
Profit for the year	-	-	-	-	14,709,284	14,709,284
Other comprehensive income	-	-	1,287,023	(22,511)	(49,113)	1,215,399
Total comprehensive income	-	-	1,287,023	(22,511)	14,660,171	15,924,683
Share based payments	-	274,062	-	-	-	274,062
Issue of convertible debentures	-	10,506,350	-	-	-	10,506,350
Final dividend paid - 2021/22	-	-	-	-	(692,458)	(692,458)
Interim dividends paid - 2022/23	-	-	-	-	(2,077,375)	(2,077,375)
As at 31 March 2023	73,187,861	13,840,507	4,215,838	(1,340)	101,806,985	193,049,851

* Fair value through other comprehensive income.

Figures in brackets indicate deductions.

The accounting policies and Notes as set out in pages 220 to 302 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

GROUP In Rs.'000s	Attributable to equity holders of the parent										
	Stated capital	Restricted regulatory reserve	Revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other capital reserve	Fair value reserve of financial assets at FVOCI*	Revenue reserve	Total	Non-controlling interests	Total equity
As at 1 April 2021	63,101,661	3,626,604	37,777,543	26,424,124	349,024	2,863,766	1,362,079	90,651,930	226,156,731	16,830,098	242,986,829
Profit for the year	-	-	-	-	-	-	-	20,212,968	20,212,968	229,939	20,442,907
Other comprehensive income	-	-	3,318,359	52,761,465	2,579,791	-	(2,164,322)	24,695	56,519,988	2,280,809	58,800,797
Total comprehensive income	-	-	3,318,359	52,761,465	2,579,791	-	(2,164,322)	20,237,663	76,732,956	2,510,748	79,243,704
Transfer from revaluation reserves to retained earnings	-	-	(83,349)	-	-	-	-	83,349	-	-	-
Private placement of ordinary shares	10,048,991	-	-	-	-	-	-	-	10,048,991	-	10,048,991
Exercise of share options	28,920	-	-	-	-	-	-	-	28,920	-	28,920
Share based payments	8,289	-	-	-	-	196,329	-	-	204,618	-	204,618
Final dividend paid - 2020/21	-	-	-	-	-	-	-	(659,869)	(659,869)	-	(659,869)
Interim dividends paid - 2021/22	-	-	-	-	-	-	-	(1,352,323)	(1,352,323)	-	(1,352,323)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	126,413	126,413	(535,810)	(409,397)
As at 31 March 2022	73,187,861	3,626,604	41,012,553	79,185,589	2,928,815	3,060,095	(802,243)	109,087,163	311,286,437	18,805,036	330,091,473
As at 1 April 2022	73,187,861	3,626,604	41,012,553	79,185,589	2,928,815	3,060,095	(802,243)	109,087,163	311,286,437	18,805,036	330,091,473
Adjustments for Surcharge Tax	-	-	-	-	-	-	-	(2,954,039)	(2,954,039)	(70,725)	(3,024,764)
As at 1 April 2022 (Adjusted)	73,187,861	3,626,604	41,012,553	79,185,589	2,928,815	3,060,095	(802,243)	106,133,124	308,332,398	18,734,311	327,066,709
Profit for the year	-	-	-	-	-	-	-	18,173,868	18,173,868	722,256	18,896,124
Other comprehensive income	-	-	128,669	5,408,613	1,287,023	-	(520,849)	(28,531)	6,274,925	559,017	6,833,942
Total comprehensive income	-	-	128,669	5,408,613	1,287,023	-	(520,849)	18,145,337	24,448,793	1,281,273	25,730,066
Transfer from revaluation reserves to retained earnings	-	-	(4,247)	-	-	-	-	4,247	-	-	-
Share based payments	-	-	-	-	-	274,062	-	-	274,062	-	274,062
Final dividend paid - 2021/22	-	-	-	-	-	-	-	(692,458)	(692,458)	-	(692,458)
Interim dividends paid - 2022/23	-	-	-	-	-	-	-	(2,077,375)	(2,077,375)	-	(2,077,375)
Issue of convertible debentures	-	-	-	-	-	10,506,350	-	-	10,506,350	-	10,506,350
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	-	230,501	230,501	(619,398)	(388,897)
As at 31 March 2023	73,187,861	3,626,604	41,136,975	84,594,202	4,215,838	13,840,507	(1,323,092)	121,743,376	341,022,271	19,396,186	360,418,457

* Fair value through other comprehensive income

Figures in brackets indicate deductions.

The accounting policies and Notes as set out in pages 220 to 302 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 2023 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 2023 were authorised for issue by the Board of Directors on 23 May 2023.

Principal activities and nature of operations of the holding Company

John Keells Holdings PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the John Keells Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Responsibility for financial statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility report in the Annual report.

Statements of compliance

The financial statements which comprise the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the Companies Act No. 7 of 2007.

2. GROUP INFORMATION

Subsidiaries, associates and joint ventures

The companies within the Group and its business activities are described in the Group Directory under the Supplementary Information section of the Annual Report.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and financial instruments measured at fair value through other comprehensive income that have been measured at fair value.

Going Concern

The Group has prepared the financial statements for the year ended 31 March 2023 on the basis that it will continue to operate as a going concern. In determining the basis of preparing the financial statements for the year ended 31 March 2023, based on available information, the management has assessed the prevailing macroeconomic conditions and its effect on the Group companies and the appropriateness of the use of the going concern basis.

It is the view of the management that there are no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. The management has formed judgment that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future driven by the continuous operationalisation of risk mitigation initiatives and monitoring of business continuity and response plans at each business unit level along with the financial strength of the Group.

In determining the above, significant management judgement, estimates and assumptions, the impact of the macroeconomic uncertainties, including exchange rate volatilities, supply chain disruptions, foreign exchange market limitations and interest rate volatilities have been considered as of the reporting date and specific considerations have been disclosed under the notes, as relevant.

Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

Provision for Taxation

The tax liability arising from the Surcharge Tax Act No: 14 of 2022 has been accounted as recommended by the (Addendum to) Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 21 on Income Taxes.

Presentation of functional currency

The consolidated financial statements are presented in Sri Lankan Rupees (Rs), which is the primary economic environment in which the holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (Rs):

Country of incorporation	Functional Currency	Name of the Subsidiary
Singapore	Singapore Dollar (SGD)	John Keells Singapore (Pte) Ltd
Republic of Maldives	United States Dollar (USD)	Fantasea World Investments (Pte) Ltd
		John Keells Maldivian Resort (Pte) Ltd
		Mack Air Services Maldives (Pte) Ltd
		Tranquility (Pte) Ltd
		Travel Club (Pte) Ltd
Mauritius	United States Dollar (USD)	John Keells BPO Holdings (Pvt) Ltd
		John Keells BPO International (Pvt) Ltd
Sri Lanka	United States Dollar (USD)	Waterfront Properties (Pvt) Ltd

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

All values are rounded to the nearest rupees thousand (Rs.'000) except when otherwise indicated.

The significant accounting policies are discussed with relevant individual notes.

The indicative US Dollar financial statements under Supplementary Information section of the Annual Report do not form a part of the financial statements prepared in accordance with SLFRS/LKAS.

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, where relevant for better presentation and to be comparable with those of the current year.

Amendments to the financial statements due to changes in accounting standards are discussed in Note 6.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies have been disclosed along with the relevant individual notes in the subsequent pages.

Those accounting policies presented with each note, have been applied consistently by the Group.

Other significant accounting policies not disclosed with individual notes

Following accounting policies, which have been applied consistently by the Group, are considered to be significant but not covered in any other sections.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Foreign currency translation, foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka Rupees (Rs), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated financial statements have been discussed in the individual notes of the related financial statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the financial statements. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

a) Going concern basis

b) Valuation of property, plant and equipment and investment property

c) Impairment of non-financial assets

d) Share based payments

e) Taxes

f) Employee benefit liability

g) Valuation of insurance contract liabilities

h) Provision for expected credit losses of trade receivables and contract assets

i) Leases

The Group performed impairment testing for non-current assets with the indicators of impairment in accordance with the accounting policies stated in Note 22 Property, Plant and equipment, Note 23 Right of use assets, Note 24 Investment property and Note 25 Intangible assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of cash generating units are the higher of asset's fair value less costs of disposals and value in use. These calculations require the use of estimates, assumptions and judgements. The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

The Group assesses the fair value of its property, plant and equipment and investment property based on valuations determined by independent qualified valuers' best estimate based on the market conditions that prevailed, which in the valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

6. CHANGES IN ACCOUNTING STANDARDS

There are no significant changes to the accounting standards for the financial year under review.

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 2025.

Early adoption along with the adoption of SLFRS 9 - Financial Instruments and SLFRS 15 - Revenue from Contracts with Customers is permitted if the regulator permits. SLFRS 17 supersedes SLFRS 4 - Insurance Contracts.

SLFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. SLFRS 17 replaces this with a new measurement model for all insurance contracts.

SLFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a Contractual Service Margin (CSM) that is equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes,contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under SLFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment)and investment profit.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders) 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. If this is not practical, an entity is required to choose either a simplified retrospective approach or 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 (UA)

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 UA'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 profit recognition. Given the implementation of this standard is likely to involve significant enhancements to IT, actuarial and finance systems of UA, it will also have an impact on the UA's expenses.

UA has an implementation programme underway to implement SLFRS 17 and SLFRS 9. The scope of the programme consists of setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

UA's Board established the SLFRS 17 Steering Committee to ensure strategic, tactical and operational readiness for the implementation of SLFRS 17. UA made steady progress in SLFRS 17 implementation journey and awarded Proof of Concept (POC) to a selected vendor. UA has made significant progress in the SLFRS 17 implementation journey.

UA is on track to providing SLFRS 17 financial statements in line with the requirements when it becomes effective.

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements.

- Amendment to LKAS 1 : Classification of liabilities as Current or Non-current.
- Amendment to LKAS 1 : Disclosure of Accounting Policies.
- Amendment to LKAS 8 : Definition of Accounting Estimates
- Amendment to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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, multi-use international logistics centre, distribution of printers, copiers, smartphones and other office automation equipment.

8.1 Business segments

	Transportation		Consumer Foods		Retail	
For the year ended 31 March In Rs.'000s	2023	2022	2023	2022	2023	2022
Disaggregation of revenue - Timing of revenue recognition						
Goods transferred at a point in time	71,301,704	30,188,848	33,776,305	22,789,929	106,922,269	90,873,520
Services transferred over time	3,177,956	2,361,113	-	-	133,559	182,414
Total segment revenue	74,479,660	32,549,961	33,776,305	22,789,929	107,055,828	91,055,934
Elimination of inter segment revenue						
External revenue						
Segment results	4,253,990	(2,628,478)	2,060,269	2,451,687	4,463,112	1,551,585
Finance cost	(719,143)	(168,402)	(958,157)	(180,182)	(4,096,912)	(1,872,457)
Finance income	260,451	132,359	65,532	36,885	196,401	331,717
Change in fair value of investment property	-	-	24,149	16,955	(3,085)	-
Share of results of equity accounted investees	5,774,946	3,679,087	-	-	-	-
Eliminations / adjustments	-	128	(28,112)	21,540	(1,453)	(4,127)
Profit / (loss) before tax	9,570,244	1,014,694	1,163,681	2,346,885	558,063	6,718
Tax expense	(560,375)	(282,038)	580,918	(422,136)	737,612	(871,971)
Profit/ (loss) for the year	9,009,869	732,656	1,744,599	1,924,749	1,295,675	(865,253)
Purchase and construction of PPE*	331,667	283,326	1,026,914	1,147,426	3,041,194	4,144,698
Addition to IA*	-	2,940	539,752	251,419	642,701	782,860
Depreciation of PPE*	187,335	200,571	1,025,718	940,403	1,642,420	1,339,574
Amortisation of IA*	8,434	1,866	56,062	37,914	359,672	261,579
Amortisation of ROU*	75,112	58,210	4,347	6,964	1,153,054	1,020,120
Employee benefit provision and related costs	10,327	24,365	2,020	113,509	39,573	95,776

In addition to segment results, information such as finance costs / income, tax expenses has been allocated to segments for better presentation.

* PPE - Property, plant and equipment, IA - Intangible assets, ROU - Right-of-use assets

Leisure
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 Maldives, and a 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.

Leisure		Property		Financial Services		Others		Group Total	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
-	-	552,474	35,220,257	-	-	3,743,937	2,018,797	216,296,689	181,091,351
39,731,355	18,914,184	1,875,744	763,173	16,202,957	15,685,926	6,699,917	4,125,135	67,821,488	42,031,945
39,731,355	18,914,184	2,428,218	35,983,430	16,202,957	15,685,926	10,443,854	6,143,932	284,118,177	223,123,296
								(7,478,270)	(5,048,550)
								276,639,907	218,074,746
2,398,333	65,158	(1,627,298)	2,683,512	3,626,660	2,867,497	(825,919)	(791,245)	14,349,147	6,199,716
(3,084,504)	(1,354,402)	(122,006)	(138,747)	(12)	(323,352)	(8,822,134)	(2,997,215)	(17,802,868)	(7,034,757)
292,374	109,286	299,854	107,339	178,486	173,059	16,682,719	24,310,553	17,975,817	25,201,198
201,400	104,950	525,342	(4,287,974)	-	-	130,732	81,314	878,538	(4,084,755)
(19,653)	(35,391)	(1,127,788)	824,630	2,946,038	2,277,613	-	-	7,573,543	6,745,939
(217,825)	(170,750)	(83,057)	(35,829)	-	-	(54,313)	486,190	(384,760)	297,152
(429,875)	(1,281,149)	(2,134,953)	(847,069)	6,751,172	4,994,817	7,111,085	21,089,597	22,589,417	27,324,493
76,220	(21,031)	(215,164)	(139,140)	(1,077,835)	(680,777)	(3,234,669)	(4,464,493)	(3,693,293)	(6,881,586)
(353,655)	(1,302,180)	(2,350,117)	(986,209)	5,673,337	4,314,040	3,876,416	16,625,104	18,896,124	20,442,907
1,996,884	639,952	112,907	114,410	117,516	183,620	446,776	113,344	7,073,858	6,626,776
5,050	11,415	-	-	74,818	244,721	33,469	66,822	1,295,790	1,360,177
3,080,095	2,230,149	62,701	57,419	118,669	99,540	163,672	146,548	6,280,610	5,014,204
75,607	71,774	6,601	6,601	294,149	274,115	51,724	50,057	852,249	703,906
2,771,224	1,633,812	20,477	21,427	125,838	100,078	1,178	1,178	4,151,230	2,841,789
(42,308)	140,792	(27,520)	14,221	(62,150)	63,377	(115,624)	132,114	(195,682)	584,154

8. OPERATING SEGMENT INFORMATION (CONTD.)

8.2. Business segments

The following table presents segment assets and liabilities of the Group's business segments.

As at In Rs.'000s	Transportation 31.03.2023	Transportation 31.03.2022	Consumer Foods 31.03.2023	Consumer Foods 31.03.2022	Retail 31.03.2023	Retail 31.03.2022
Property, plant and equipment	1,065,820	967,241	10,822,124	10,112,354	18,294,522	17,153,312
Right-of-use-assets	549,380	103,319	267,301	274,048	9,539,807	9,838,314
Investment property	-	-	341,398	317,250	304,474	-
Intangible assets	65,000	73,593	1,182,500	683,547	2,557,066	2,274,943
Non-current financial assets	125,974	126,064	273,966	210,412	218,490	161,887
Other non-current assets	51,972	11,193	128,962	34,550	993,260	972,291
Segment non-current assets	1,858,146	1,281,410	13,016,251	11,632,161	31,907,619	30,400,747
Investments in equity accounted investees	17,769,439	15,050,879	-	-	-	-
Deferred tax assets						
Goodwill						
Eliminations / adjustments						
Total non-current assets						
Inventories	462,430	4,597,542	5,541,602	3,729,059	11,173,246	8,020,175
Trade and other receivables	2,799,055	5,699,913	4,660,106	3,940,217	2,639,958	2,877,516
Short term investments	6,665,675	5,619,503	-	758	243,742	3,181,909
Cash in hand and at bank	3,012,674	4,931,536	547,979	615,102	1,335,771	5,273,668
Segment current assets	12,939,834	20,848,494	10,749,687	8,285,136	15,392,717	19,353,268
Other current assets						
Eliminations / adjustments						
Total current assets						
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest bearing loans and borrowings	199,760	7,333	227,802	358,647	6,622,609	7,991,304
Lease liabilities	573,466	109,010	160,906	152,328	9,840,263	9,786,865
Employee benefit liabilities	118,217	105,801	523,330	707,380	410,492	418,092
Non-current financial liabilities	-	-	-	-	-	-
Other non-current liabilities	-	-	104,036	96,183	-	-
Segment non-current liabilities	891,443	222,144	1,016,074	1,314,538	16,873,364	18,196,261
Deferred tax liabilities						
Eliminations / adjustments						
Total non-current liabilities						
Trade and other payables	2,970,264	5,700,540	3,716,255	4,321,046	13,838,670	21,981,118
Short term borrowings	5,943,802	10,838,491	262,177	-	1,205,078	2,000,000
Interest bearing loans and borrowings	2,000	10,000	391,775	634,042	2,068,696	1,588,696
Lease liabilities	-	-	1,829	1,396	652,273	476,996
Bank overdrafts	2,545,939	1,905,340	5,653,860	2,121,675	10,625,490	3,773,544
Segment current liabilities	11,462,005	18,454,371	10,025,896	7,078,159	28,390,207	29,820,354
Income tax liabilities						
Other current liabilities						
Eliminations / adjustments						
Total current liabilities						
Total liabilities						
Total segment assets	14,797,980	22,129,904	23,765,938	19,917,297	47,300,336	49,754,015
Total segment liabilities	12,353,448	18,676,515	11,041,970	8,392,697	45,263,571	48,016,615

Inter company investments made by the Group of companies have not been considered for the calculation of segment assets.

Leisure		Property		Financial Services		Others		Group Total	
31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022	31.03.2023	31.03.2022
297,722,918	63,491,916	5,126,480	4,991,754	2,737,024	2,738,220	1,935,074	1,313,218	337,703,962	100,768,015
42,150,699	41,403,024	210,292	216,807	425,118	454,179	33,622	34,800	53,176,219	52,324,491
5,117,334	4,701,632	49,925,083	47,032,217	-	-	2,596,897	2,421,012	58,285,186	54,472,111
129,931	200,488	500	667	1,251,283	1,480,614	180,255	204,944	5,366,535	4,918,796
10,869,131	10,435,965	27,692	82,148	58,388,861	44,176,904	4,775,231	3,424,868	74,679,345	58,618,248
77,072	20,304	-	180,224,953	86,193	70,053	233,844	141,949	1,571,303	181,475,293
356,067,085	120,253,329	55,290,047	232,548,546	62,888,479	48,919,970	9,754,923	7,540,791	530,782,550	452,576,954
1,372,911	1,391,744	1,679,553	2,807,341	17,664,243	14,615,592	-	-	38,486,146	33,865,556
								2,582,275	1,554,438
								730,901	730,901
								(10,881,000)	(9,861,321)
								561,700,872	478,866,528
1,017,150	624,324	20,491,493	19,052,049	-	9,441	497,343	244,438	39,183,264	36,277,028
7,153,088	4,572,062	2,796,959	7,796,348	1,537,315	2,184,085	3,312,418	2,645,024	24,898,899	29,715,165
3,649,725	3,521,626	4,361,202	116,870	12,098,950	17,037,398	58,036,307	84,710,109	85,055,601	114,188,173
2,923,886	2,561,453	4,243,625	7,137,753	1,060,260	1,084,499	11,769,967	30,735,857	24,894,162	52,339,868
14,743,849	11,279,465	31,893,279	34,103,020	14,696,525	20,315,423	73,616,035	118,335,428	174,031,926	232,520,234
								14,570,452	11,914,461
								(5,796,835)	(5,505,530)
								182,805,543	238,929,165
								744,506,415	717,795,693
-	-	-	-	58,907,310	51,349,323	-	-	58,907,310	51,349,323
96,201,931	26,799,374	304,742	69,018,341	-	-	66,919,718	64,650,033	170,476,562	168,825,032
21,125,638	19,659,970	410	462	306,148	312,659	-	-	32,006,831	30,021,294
823,169	927,287	8,699	38,187	184,892	279,515	490,833	630,355	2,559,632	3,106,617
-	-	1,726,877	2,413,880	-	-	18,380,148	-	20,107,025	2,413,880
182,444	124,244	-	-	-	-	427	447	286,907	220,874
118,333,182	47,510,875	2,040,728	71,470,870	59,398,350	51,941,497	85,791,126	65,280,835	284,344,267	255,937,020
								19,687,569	12,016,404
								(10,652,683)	(9,858,147)
								293,379,153	258,095,277
5,056,161	4,061,764	888,337	2,820,379	4,155,248	4,616,409	2,491,243	2,227,717	33,116,178	45,728,973
2,833,700	3,466,629	-	-	-	-	1,312,074	2,016,044	11,556,831	18,321,164
6,843,958	4,361,702	188,000	31,467,019	-	-	3,344,997	2,562,994	12,839,426	40,624,453
1,682,243	2,947,896	-	-	112,308	131,917	-	-	2,448,653	3,558,205
10,079,148	7,364,353	647,726	1,758,998	140,551	160,879	428,023	3,308,983	30,120,737	20,393,772
26,495,210	22,202,344	1,724,063	36,046,396	4,408,107	4,909,205	7,576,337	10,115,738	90,081,825	128,626,567
								1,798,855	2,618,554
								5,191,579	4,280,387
								(6,363,454)	(5,916,565)
								90,708,805	129,608,943
								384,087,958	387,704,220
370,810,934	131,532,794	87,183,326	266,651,566	77,585,004	69,235,393	83,370,958	125,876,219	704,814,476	685,097,188
144,828,392	69,713,219	3,764,791	107,517,266	63,806,457	56,850,702	93,367,463	75,396,573	374,426,092	384,563,587

8. OPERATING SEGMENT INFORMATION (CONTD.)

8.3 Business Segment analysis - Disaggregation of revenue - Business segment analysis

For the year ended 31 March In Rs.'000s	GROUP 2023 Sale of goods	Rendering of services	Total revenue	2022 Sale of goods	Rendering of services	Total revenue
Transportation	70,829,986	2,816,120	73,646,106	30,188,848	1,699,199	31,888,047
Consumer Foods	31,268,870	-	31,268,870	21,007,883	-	21,007,883
Retail	106,715,142	133,426	106,848,568	90,659,816	182,414	90,842,230
Leisure	-	39,677,238	39,677,238	-	18,878,616	18,878,616
Property	552,474	1,569,874	2,122,348	35,220,257	511,132	35,731,389
Financial Services	-	16,202,957	16,202,957	-	15,685,763	15,685,763
Others	3,743,937	3,129,883	6,873,820	2,018,797	2,022,021	4,040,818
Group revenue	213,110,409	63,529,498	276,639,907	179,095,601	38,979,145	218,074,746

8.4 Disaggregation of revenue - Geographical segment analysis (by location of customers)

For the year ended 31 March In Rs.'000s	GROUP 2023	2022
Sri Lanka	183,951,601	170,809,324
Asia (excluding Sri Lanka)	34,539,211	16,513,760
Europe	34,864,970	19,604,217
Others	23,284,125	11,147,445
Group external revenue	276,639,907	218,074,746

8.5 Geographical segments, based on the location of assets

As at/for the period ended 31 March In Rs.'000s	Sri Lanka 2023	Sri Lanka 2022	Asia (excluding Sri Lanka) 2023	Asia (excluding Sri Lanka) 2022	Group Total 2023	Group Total 2022
Group external revenue	254,035,299	207,676,917	22,604,608	10,397,829	276,639,907	218,074,746
Segment revenue	261,470,529	212,676,540	22,647,648	10,446,756	284,118,177	223,123,296
Segment results	11,537,476	5,239,287	2,809,671	960,429	14,349,147	6,199,716
Segment assets	642,642,346	623,612,925	62,172,130	61,484,263	704,814,476	685,097,188
Segment liabilities	320,695,977	330,636,732	53,730,115	53,926,855	374,426,092	384,563,587
Purchase and construction of property, plant and equipment	6,291,111	6,421,345	782,747	205,431	7,073,858	6,626,776
Purchase and construction of intangible assets	1,295,790	1,360,177	-	-	1,295,790	1,360,177
Depreciation of property, plant and equipment	5,159,591	3,943,240	1,121,019	1,070,964	6,280,610	5,014,204
Amortisation of intangible assets	852,249	703,906	-	-	852,249	703,906
Amortisation of right- of - use assets	1,418,893	1,265,845	2,732,337	1,575,944	4,151,230	2,841,789
Employee benefit provision and related costs	(195,682)	584,154	-	-	(195,682)	584,154
Investments in equity accounted investees	38,486,219	33,865,556	-	-	38,486,219	33,865,556

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, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value. The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated income statement and consolidated statement of comprehensive income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Consolidated Statement of Financial Position.

Non-controlling interest (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated income statement and statement of comprehensive income and as a component of equity in the consolidated statement of financial position, separately from equity attributable to the shareholders of the parent.

The Consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

9. BASIS OF CONSOLIDATION AND MATERIAL PARTLY OWNED SUBSIDIARIES (CONTD.)

9.1 Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below.

	Leisure		Consumer Foods		Retail	
In Rs.'000s	2023	2022	2023	2022	2023	2022
Summarised Total Comprehensive Income Statement for the period ended 31 March						
Revenue	39,731,355	18,914,184	33,776,305	22,789,929	107,055,829	91,055,934
Operating cost	(36,539,683)	(18,821,252)	(30,903,840)	(19,745,444)	(102,465,649)	(89,496,281)
Finance cost	(3,084,504)	(1,354,402)	(955,716)	(180,182)	(4,104,980)	(1,880,525)
Finance income	292,374	109,286	65,532	36,885	196,401	331,717
Change in fair value of investment property	415,701	272,176	24,149	16,955	(3,085)	-
Profit before tax	815,243	(880,008)	2,006,430	2,918,143	678,516	10,845
Tax expense	41,326	(45,208)	580,918	(422,136)	737,612	(871,971)
Profit for the year	856,569	(925,216)	2,587,348	2,496,007	1,416,128	(861,126)
Other comprehensive income	4,620,526	7,709,765	(97,231)	445,646	142,242	77,464
Total comprehensive income	5,477,095	6,784,549	2,490,117	2,941,653	1,558,370	(783,662)
Profit/(loss) allocated to NCI	(182,808)	(354,038)	325,198	335,195	114,671	108,455
Dividend paid to NCI	33,574	-	242,468	303,576	142,342	47,122
Summarised Statement of Financial Position as at 31 March						
Non-current assets	356,067,085	120,253,329	13,016,251	11,632,161	31,907,619	30,400,747
Current assets	26,228,533	11,279,465	8,285,136	8,285,136	15,392,717	19,353,268
Total assets	382,295,618	131,532,794	21,301,387	19,917,297	47,300,336	49,754,015
Non-current liabilities	47,510,875	47,510,875	1,314,538	1,314,538	16,873,364	18,196,261
Current liabilities	22,202,344	22,202,344	7,078,159	7,078,159	28,390,207	29,820,354
Total liabilities	69,713,219	69,713,219	8,392,697	8,392,697	45,263,571	48,016,615
Accumulated balances of NCI	13,312,276	11,436,504	5,726,737	5,071,929	1,905,946	1,327,956
Summarised Statement of Cash Flows for the year ended 31 March						
Cash flows from/(used in) operating activities	3,799,933	514,163	(562,357)	2,966,726	(6,114,653)	7,921,836
Cash flows from/(used in) investing activities	(1,407,021)	(679,397)	(1,572,338)	(1,508,946)	(3,501,597)	(3,148,738)
Cash flows from/(used in) financing activities	(4,364,007)	4,526,341	(1,451,251)	(1,910,526)	(4,096,593)	(2,440,274)
Net increase / (decrease) in cash and cash equivalents	(1,971,095)	4,361,107	(3,585,946)	(452,746)	(13,712,843)	2,332,824

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:

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, Consumer Foods and Retail segment, based on the nature and risks of the products and services.

John Keells Holdings has material partly owned subsidiaries in Consumer Foods, Retail and Leisure sectors.

In Consumer Foods Sector, Ceylon Cold Stores PLC, Keells Food Products PLC and The Colombo Ice Company (Pvt) Ltd has an effective holding owned by non-controlling interest ranging from 11.37% - 18.64% as at 31 March 2023 (2022 - 11.37% - 18.64 %).

In Retail Sector, JayKay Marketing Services (Pvt) Ltd and Logipark International (Pvt) Ltd both have 18.64% effective holding owned by non-controlling interest as at 31 March 2023 (2022 - 18.64%).

Under Leisure Sector, following companies have significant partly owned subsidiaries with effective holding percentage owned by non-controlling interest ranged from 1.65% - 24.67% (2022 – 24.67%).

The Leisure Sector subsidiaries include Ahungalla Holiday Resorts (Pvt) Ltd, Asian Hotels and Properties PLC, Beruwala Holiday Resorts (Pvt) Ltd, Ceylon Holiday Resorts Ltd, Cinnamon Holidays (Pvt) Ltd, Fantasea World Investments (Pte) Ltd, Habarana Lodge Ltd, Habarana Walk Inn Ltd, Hikkaduwa Holiday Resorts (Pvt) Ltd, International Tourists and Hoteliers Ltd, John Keells Hotels PLC, John Keells Maldivian Resorts (Pte) Ltd, Kandy Walk Inn Ltd, Nuwara Eliya Holiday Resorts (Pvt) Ltd, Rajawella Hotels Company Ltd, Resort Hotels Ltd, Serene Holidays (Pvt) Ltd, Tranquility (Pte) Ltd, Trans Asia Hotels PLC, Travel Club (Pte) Ltd, Trinco Holiday Resorts (Pvt) Ltd, Trinco Walk Inn Ltd, Walkers Tours Ltd, Wirawila Walk Inn Ltd and Yala Village (Pvt) Ltd.

Please refer Note 26 for the individual company's effective holdings.

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.

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.

Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation, goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of goodwill
Goodwill is tested for impairment annually (as at 31 March) when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

10.1 Investment in subsidiaries

Waterfront Properties (Pvt) Ltd (WPL)
John Keells Holdings PLC (JKH) further invested Rs.80,913 Mn (2022 - Rs.13,552 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. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS (CONTD.)

10.2 Investment in equity accounted investees

Colombo West International Container Terminal (Pvt) Ltd (CWIT)

John Keells Holdings PLC further invested Rs.2,723 Mn (2022 - Rs.2,856 Mn) in CWIT as per the Build, Own and Transfer (BOT) Agreement between the Sri Lanka Ports Authority and CWIT.

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.

11.1.1 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		2023				
In Rs.'000s	Notes	Non-current financial assets	Cash in hand and at bank	Trade and other receivables	Short term investments	Amounts due from related parties
Group						
Government securities	11.1.2	45,906,390	-	-	7,521,144	-
Corporate debt securities	11.1.3	9,185,289	-	-	1,653,689	-
Deposits with banks	11.1.4	803,775	-	-	69,453,925	-
Loans to executives	11.1.5	1,260,602	-	356,266	-	-
Loans to life policyholders	11.1.6	2,199,675	-	-	-	-
Preference shares	11.1.7	-	-	-	-	-
Interest rate swap	11.1.8	4,215,838	-	-	-	-
Trade and other receivables	11.1.9	-	-	19,940,932	-	-
Reinsurance receivables	11.1.10	-	-	590,215	-	-
Assets backed securities	11.1.11	314,276	-	-	-	-
Premium receivable	11.1.12	-	-	620,665	-	-
Amounts due from related parties	11.1.13	-	-	-	-	317,700
Cash in hand and at bank	11.1.14	-	25,092,977	-	-	-
Total credit risk exposure		63,885,845	25,092,977	21,508,078	78,628,758	317,700
Financial assets at fair value through P&L	11.3.3.1	-	-	-	3,593,064	-
Financial assets at fair value through OCI	11.3.3.2	71,206	-	-	-	-
Total equity risk exposure		71,206	-	-	3,593,064	-
Total		63,957,051	25,092,977	21,508,078	82,221,822	317,700
Company						
Deposits with banks	11.1.4	-	-	-	57,473,253	-
Loans to executives	11.1.5	151,987	-	20,766	-	-
Interest rate swap	11.1.8	4,215,838	-	-	-	-
Trade and other receivables	11.1.9	-	-	186,967	-	-
Amounts due from related parties	11.1.13	-	-	-	-	1,177,616
Cash in hand and at bank	11.1.14	-	8,232,006	-	-	-
Total credit risk exposure		4,367,825	8,232,006	207,733	57,473,253	1,177,616
Financial assets at fair value through OCI	11.3.3.2	37,158	-	-	-	-
Total equity risk exposure		37,158	-	-	-	-
Total		4,404,983	8,232,006	207,733	57,473,253	1,177,616

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 fulfil their obligations.

		2022						
Total	% of allocation	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
53,427,534	28%	31,752,878	-	-	10,704,129	-	42,457,007	18%
10,838,978	6%	9,553,315	-	-	1,454,315	-	11,007,630	5%
70,257,700	37%	632,491	-	-	95,936,007	-	96,569,378	41%
1,616,868	1%	1,048,842	-	326,682	-	-	1,375,524	1%
2,199,675	1%	1,952,394	-	-	-	-	1,952,394	1%
-	-	373,701	-	-	-	-	373,701	0%
4,215,838	2%	2,928,815	-	-	-	-	2,928,815	1%
19,940,932	11%	-	-	25,550,066	-	-	25,550,066	11%
590,215	0%	-	-	1,135,652	-	-	1,135,652	0%
314,276	0%	314,304	-	-	-	-	314,304	0%
620,665	0%	-	-	482,948	-	-	482,948	0%
317,700	0%	-	-	-	-	196,394	196,394	0%
25,092,977	14%	-	52,376,531	-	-	-	52,376,531	22%
189,433,358	100%	48,556,740	52,376,531	27,495,348	108,095,331	196,394	236,406,039	100%
		-	-	-	2,626,213	-		
		133,749	-	-	-	-		
		133,749	-	-	2,626,213	-		
		48,690,489	52,376,531	27,495,348	110,721,544	196,394		
57,473,253	80%	-	-	-	83,972,660	-	83,972,660	73%
172,753	0%	66,659	-	23,078	-	-	89,737	0%
4,215,838	6%	2,928,815	-	-	-	-	2,928,815	2%
186,967	0%	-	-	80,836	-	-	80,836	0%
1,177,616	2%	-	-	-	-	660,699	660,699	1%
8,232,006	12%	-	27,362,010	-	-	-	27,362,010	24%
71,458,433	100%	2,995,474	27,362,010	103,914	83,972,660	660,699	115,094,757	100%
		87,563	-	-	-	-		
		87,563	-	-	-	-		
		3,083,037	27,362,010	103,914	83,972,660	660,699		

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

11.1.2 Government securities

As at 31 March 2023 as shown in table above, 28% (2022 - 18%) of debt securities comprise investments in government securities consist of treasury bonds, bills and reverse repo investments.

11.1.3 Corporate debt securities

As at 31 March 2023 corporate debt securities comprise 6% (2022 - 5%) of the total investments in debt securities, out of which 20% (2022 - 47%) were rated "A" or better, or guaranteed by a banking institution with a rating of "A" or better.

As at 31 March	GROUP			
	2023		2022	
Fitch ratings	In Rs.'000s	%	In Rs.'000s	%
AA	-	-	959,461	9%
AA-	-	-	863,526	8%
A+	607,585	6%	895,622	8%
A	1,568,959	14%	2,407,965	22%
A-	829,469	8%	2,179,836	20%
BBB+	2,596,193	32%	3,212,371	29%
BBB	3,471,458	24%	114,312	1%
BBB-	1,549,735	14%	-	-
B-	-	-	158,934	1%
CC	215,579	2%	215,603	2%
Total	10,838,978	100%	11,007,630	100%

11.1.4 Deposits with banks

Deposits with bank mainly consist of fixed and call deposits .

As at 31 March 2023, fixed and call deposits comprise 67% (2022 - 91%) and 62% (2022 - 90%) for the Group and Company respectively were rated "A" or better.

As at 31 March	GROUP				COMPANY			
	2023		2022		2023		2022	
Fitch ratings	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%	In Rs. '000s	%
AA-	2,988,505	4%	80,016,461	83%	-	-	54,088,324	64%
A+	-	-	1,120,113	1%	-	-	-	-
A	44,491,946	63%	6,187,339	7%	35,629,545	62%	21,689,059	26%
A-	22,777,249	33%	985,225	1%	21,843,708	38%	-	-
CC	-	-	8,260,240	8%	-	-	8,195,277	10%
Total	70,257,700	100%	96,569,378	100%	57,473,253	100%	83,972,660	100%

11.1.5 Loans to executives

Loans to executive portfolio is largely made up of vehicle loans which are given to staff at assistant manager level and above. The respective business units have obtained the necessary promissory notes as collateral for the loans granted.

11.1.6 Loans to life policyholders

The surrender value of insurance policies considered as the collateral for the loans given to life policy holders by Union Assurance PLC. System controls are in place to automatically convert a policy to lapse stage when the policy loan amount together with the interest is reaching the surrender value of the policy.

11.1.7 Preference Shares

Cumulative preference share investment which has lien over an asset, redeemable at the option of shareholder.

11.1.8 Interest rate swap

The Group has entered into interest rate swap that is a cash flow hedge. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships. Refer Note 13.3.

11.1.9 Trade and other receivables

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Neither past due nor impaired	7,367,072	8,295,935	170,823	15,490
Past due but not impaired				
0-30 days	6,479,147	10,471,326	1,680	19,577
31–60 days	2,059,955	3,751,646	1,286	9,184
61–90 days	373,006	1,893,908	1,566	33,437
> 91 days	4,139,581	1,816,823	12,295	4,092
Gross carrying value	20,418,761	26,229,638	187,650	81,780
Allowance for expected credit losses	(477,829)	(679,572)	(683)	(944)
Total	19,940,932	25,550,066	186,967	80,836

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 and uses a provision matrix to calculate Expected Credit Loss (ECL) for the balance. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix was initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group considers a financial asset including trade and receivable in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

11.1.10 Reinsurance receivables

The Union Assurance PLC operates a policy to manage its reinsurance counterparty exposures by limiting the reinsurers that may be used and applying strict limits each reinsurer.

11.1.11 Asset Backed Securities

Asset Backed Securities are fixed income instruments created through securitisation. This involves transferring assets (collateral) from the original owner to the trustee and then issuing securities based by these assets. The asset cash flows of the collateral are used to pay interest and re- pay capital. The Group closely monitors the grate rate of the investment to mitigate the credit risk associated.

11.1.12 Premium receivable

Only designated institutions are employed as intermediary parties by Union Assurance PLC Agreements have been signed within the intermediaries committing them to settle dues within a specified time period.

11.1.13 Amounts due from related parties

The Group's amounts due from related parties mainly consists of associates and other venture partners' balances. The Company balance consists of the balances from affiliate companies.

11.1.14 Credit risk relating to cash in hand and bank balance

In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Group consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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.

11.2.1 Net debt/(cash)

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Short term investments	82,221,822	110,721,544	57,473,253	83,972,660
Cash in hand and at bank	25,092,977	52,376,531	8,232,006	27,362,010
Adjustments to liquid assets	(6,974,998)	(6,008,147)	-	-
Total liquid assets	100,339,801	157,089,928	65,705,259	111,334,670
Interest-bearing loans and borrowings (Non-current)	159,778,892	158,921,898	66,907,718	64,634,033
Liability attributable to Convertible Debentures	18,380,148	-	18,380,148	-
Lease liabilities (Non-current)	32,052,489	30,066,952	-	-
Short term borrowings	8,701,652	14,833,056	1,300,000	2,000,000
Interest-bearing loans and borrowings (Current)	12,839,426	40,624,448	3,344,997	2,562,994
Lease liabilities (Current)	2,258,653	3,459,496	-	-
Bank overdrafts	30,048,743	20,321,777	172,372	2,939,311
Total liabilities	264,060,003	268,227,627	90,105,235	72,136,338
Net debt / (cash)	163,720,202	111,137,699	24,399,976	(39,198,332)

11.2.2 Liquidity risk management

The mixed approach combines elements of the cash flow matching approach and the liquid assets approach.

The Group has implemented a mixed approach that combines elements of the cash flow matching approach and the liquid assets approach. The business units matched cash outflows in each time bucket against the combination of contractual cash inflows plus other inflows that can be generated through the sale of assets, repurchase agreement, or other secured borrowings.

The Group continued to place emphasis on ensuring that cash and undrawn committed facilities are sufficient to meet the short, medium and long-term funding requirements, unforeseen obligations as well as unanticipated opportunities. Constant dialogue between Group companies and banks regarding financing requirements, ensures that availability within each single borrower limit is optimised by efficiently reallocating under-utilised facilities within the Group.

The Government of Sri Lanka offered certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities for eligible industries. Group companies qualified for such relief measures and it helped ease the financial position further during the financial year.

The daily cash management processes at the business units include active cash flow forecasts and matching the duration and profiles of assets and liabilities, thereby ensuring a prudent balance between liquidity and earnings.

Maturity analysis - Group

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2023 based on contractual undiscounted (principal plus interest) payments.

GROUP

In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	25,794,290	32,963,699	35,025,155	77,783,057	13,380,226	28,315,286	213,261,713
Lease liabilities	3,728,265	5,570,684	3,812,219	3,901,551	3,050,595	23,068,693	43,132,007
Convertible debenture	811,687	813,911	27,458,758	-	-	-	29,084,357
Trade and other payables	29,866,282	-	-	-	-	-	29,866,282
Amounts due to related parties	3,615	-	-	-	-	-	3,615
Short term borrowings	8,701,652	-	-	-	-	-	8,701,652
Bank overdrafts	30,048,743	-	-	-	-	-	30,048,743
	98,954,535	39,348,294	66,296,132	81,684,608	16,430,821	51,383,979	354,098,369

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted (principal plus interest) payments.

In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 years	Total
Interest-bearing loans and borrowings	44,444,003	30,103,624	37,649,735	38,215,436	32,110,580	40,827,883	223,351,262
Lease liabilities	4,782,574	3,739,568	4,953,710	3,413,157	3,498,153	22,539,787	42,926,949
Trade and other payables	43,469,407	-	-	-	-	-	43,469,407
Amounts due to related parties	1,818	-	-	-	-	-	1,818
Short term borrowings	14,833,056	-	-	-	-	-	14,833,056
Bank overdrafts	20,321,777	-	-	-	-	-	20,321,777
	127,852,636	33,843,192	42,603,445	41,628,593	35,608,733	63,367,670	344,904,269

Maturity analysis - Company

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2023 based on contractual undiscounted (principal plus interest) payments.

In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 Years	Total
Interest-bearing loans and borrowings	7,192,964	10,036,388	16,582,561	13,634,699	12,561,837	27,160,286	87,168,735
Convertible debenture	811,687	813,911	27,458,758	-	-	-	29,084,357
Trade and other payables	631,405	-	-	-	-	-	631,405
Amounts due to related parties	58,244	-	-	-	-	-	58,244
Short term borrowings	1,300,000	-	-	-	-	-	1,300,000
Bank overdrafts	172,372	-	-	-	-	-	172,372
	10,166,673	10,850,299	44,041,319	13,634,699	12,561,837	27,160,286	118,415,113

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2022 based on contractual undiscounted (principal plus interest) payments.

In Rs.'000s	Within 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	More than 5 Years	Total
Interest-bearing loans and borrowings	5,374,976	5,846,223	9,525,647	15,522,813	12,963,246	40,417,925	89,650,830
Trade and other payables	566,252	-	-	-	-	-	566,252
Amounts due to related parties	20,912	-	-	-	-	-	20,912
Short term borrowings	2,000,000	-	-	-	-	-	2,000,000
Bank overdrafts	2,939,311	-	-	-	-	-	2,939,311
	10,901,451	5,846,223	9,525,647	15,522,813	12,963,246	40,417,925	95,177,305

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 2023 and 2022.

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 2023 and 2022.

11.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relate primarily to the Group's long-term debt obligations with floating interest rates.

To manage the exposure of floating interest rates which is common to most loans, the Group enters into interest rate swaps, where necessary and applicable, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

The Central Bank of Sri Lanka (CBSL) continued the tightening of its monetary policy stance during the current financial year, resulting in a sharp upward trend in rates in the first half of the financial year, particularly with the uncertainty of a domestic debt restructuring being factored in to secondary market yields on Government Securities. The shortage of liquidity in the first half of the financial year put further pressure on market interest rates. There was a decrease in interest rates in the last three months of the financial year on account of the reduced Government debt financing requirements and improved liquidity position in the country.
The Group had mitigated the risk of increasing interest rates by balancing its portfolio of borrowings and moving a sizeable portion of its Sri Lankan Rupee borrowings on a long-term basis prior to the sharp upward movement in interest rates. Similarly, where relevant and possible, a majority of the Rupee long-term facilities were on a fixed rate basis over the tenor of the loan. In respect of the Group's foreign currency borrowing portfolio, interest rate swap agreements are in place for a sizeable portion of the facilities.

The table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax (through the impact on floating rate borrowings).

For the year ended 31 March	Increase/ (decrease) in basis points Rupee borrowings	Other currency borrowings	GROUP Effect on profit before tax Rs.'000s	COMPANY Effect on profit before tax Rs.'000s
2023	+ 1916	+ 427	(11,907,043)	(4,715,482)
	- 1916	-427	11,907,043	4,715,482
2022	+138	+58	(1,220,476)	(498,851)
	-138	-58	1,220,476	498,851

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. The 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 the Group treasury the GEC takes decisions on whether to hold, sell, or make forward bookings of foreign currency as per decision rights given by Board of Directors.

11.3.2.1 Effects of currency translation

For purposes of Group consolidated financial statements, income and expenses and assets and liabilities of subsidiaries whose functional currency differs from the Group presentation currency are translated into the Group presentation currency. Therefore, period-to-period changes in average exchange rates may cause currency translation effects that have a significant impact on, for example, revenue, segment results (Earnings Before Interest and Taxes –EBIT) and assets and liabilities of the Group. Unlike exchange rate transaction risk, exchange rate translation risk does not necessarily affect future cash flows. The Group's equity position reflects changes in book values caused by exchange rates.

For the year ended 31 March	Increase/(decrease) in exchange rate USD	GROUP Effect on profit before tax Rs.'000s	GROUP Effect on equity Rs.'000s	COMPANY Effect on profit before tax Rs.'000s	COMPANY Effect on equity Rs.'000s
2023	+13%	1,010,599	35,396,628	890,672	532,882
	-13%	(1,010,599)	(35,396,628)	(890,672)	(532,882)
2022	+52%	23,158,974	88,861,968	27,672,121	1,524,448
	-52%	(23,158,974)	(88,861,968)	(27,672,121)	(1,524,448)

Assumptions

The assumed spread of the exchange rate is based on the current observable market environment.

The Sri Lankan Rupee depreciated significantly in the first two quarters of the financial year and witnessed significant volatility during certain periods of the financial year. The foreign exchange markets were largely inactive and illiquid during the first half of the financial year amidst significant foreign exchange shortages and macroeconomic uncertainty. However, from the second half of the financial year, the foreign exchange liquidity improved on the back of a trade surplus given the sharp contraction of imports due to the fiscal and monetary policy measures adopted in the country and the continuation of import restrictions at the time. The Rupee appreciated during the final quarter with the improving foreign exchange liquidity situation in the country and the impending EFF from the International Monetary Fund (IMF), at the time. The Group adopted prudent measures, as and when required, to manage the financial impacts arising from the liquidity constraints and currency fluctuations by matching liabilities with corresponding inflows. At a Group level, the translation risk on foreign currency debt is largely hedged "naturally" as a result of the conscious strategy of maintaining US Dollar cash balances at the holding company whilst also ensuring obligations can be managed through US Dollar denominated revenue streams. The Group was able to navigate the liquidity challenges through matching its obligations with foreign currency inflows, as far as possible and permissible, while also using the strength of the Group balance sheet to manage the situation.

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

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.

As at 31 March	GROUP			
	2023		2022	
	Rs.'000s	%	Rs.'000s	%
Application Software	49,812	1%	25,258	1%
Banks	396,380	11%	369,346	14%
Capital Goods	906,535	25%	972,803	37%
Consumer Durables & Apparel	398,982	11%	653,667	24%
Consumer Services	194,454	5%	52,532	2%
Energy	315,951	10%	-	-
Food & Staples Retailing	13,018	0%	-	-
Food Beverage & Tobacco	440,292	12%	197,718	8%
Household & Personal Products	-	-	4,527	0%
Investment Banking & Brokerage	36,709	1%	-	-
Materials	641,028	18%	69,533	3%
Real Estate	16,063	0%	-	-
Telecommunication Services	183,840	6%	259,743	10%
Transportation	-	-	21,086	1%
	3,593,064	100%	2,626,213	100%

11.3.3.2 Financial instruments at fair value through other comprehensive income statement

All unquoted equity investments are made after obtaining Board of Directors approval.

11.3.3.3 Sensitivity analysis

The table demonstrates the sensitivity to a reasonably possible change in the market index, with all other variables held constant, of the Group and Company's profit before tax and equity due to changes in the fair value of the listed equity securities.

For the year ended 31 March	Change in year-end market price index	GROUP	
		Effect on profit before tax Rs.'000s	Effect on equity Rs.'000s
2023	+10%	359,306	-
	-10%	(359,306)	-
2022	+28%	735,340	-
	- 28%	(735,340)	-

11.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares, have a rights issue or buy back of shares.

As at 31 March	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Debt / Equity	73.3%	81.3%	46.7%	42.5%

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. FAIR VALUE MEASUREMENT AND RELATED FAIR VALUE DISCLOSURES (CONTD.)

12.1 Fair value measurement hierarchy - Group

The Group held the following financial instruments carried at fair value in the Statement of Financial Position:

As at 31 March In Rs.'000s		Level 1 2023	Level 1 2022	Level 2 2023	Level 2 2022	Level 3 2023	Level 3 2022	Total 2023	Total 2022
FINANCIAL ASSETS									
Non-listed equity investments		-	-	280	280	70,926	133,469	71,206	133,749
Listed equity investments		3,899,110	4,503,190	210	341	-	-	3,899,320	4,503,531
Quoted debt instruments		15,032,489	7,787,418	154,424	222,988	-	-	15,186,913	8,010,406
Unquoted debt instruments		-	-	7,569	87,345	-	-	7,569	87,345
Interest rate swap		-	-	4,215,838	2,928,815	-	-	4,215,838	2,928,815
Total		18,931,599	12,290,608	4,378,321	3,239,769	70,926	133,469	23,380,846	15,663,846
NON FINANCIAL ASSETS									
Assets measured at fair value	Note								
Land and buildings	22.1	-	-	-	-	69,771,307	63,957,286	69,771,307	63,957,286
Buildings on leasehold land	22.1	-	-	-	-	40,944,758	37,368,368	40,944,758	37,368,368
Investment property	24	-	-	-	-	33,029,385	30,607,550	33,029,385	30,607,550
Total		-	-	-	-	143,745,450	131,933,204	143,745,450	131,933,204

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

All the other financial instruments were properly categorised 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 2023.

Financial assets at fair value through Profit and loss

There may be an increase in the amount of subjectivity involved in fair value measurements, and as such, a greater use of unobservable inputs will be required because relevant observable inputs are no longer available. This will have a direct impact to the policyholder profit or loss where diversification of the portfolio with the unaffected and growing industries will mitigate the risk.

12.2 Fair value measurement hierarchy - Company

FINANCIAL ASSETS As at 31 March In Rs.'000s	Level 2 2023	Level 2 2022	Level 3 2023	Level 3 2022
Non-listed equity investments	-	-	37,158	87,563
Interest rate swap	4,215,838	2,928,815	-	-
	4,215,838	2,928,815	37,158	87,563

12.3 Reconciliation of fair value measurements of level 3 financial instruments

The Group and Company carries unquoted equity shares are classified as Level 3 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

In Rs.'000s	GROUP	COMPANY
	Fair value through other comprehensive income	
As at 1 April 2022	133,469	87,563
Purchase of equity shares	293	165
Disposal of equity shares	(28,059)	(28,059)
Remeasurement recognised in OCI	(34,777)	(22,511)
As at 31 March 2023	70,926	37,158

Fair valuation done as at 31 March 2023 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.

13. FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

Financial assets at fair value through OCI
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

Equity Instruments
Financial assets designated at fair value through OCI
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as financial assets at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as finance income in the statement of profit or loss when the right of payment has been established.

Dividends received from equity instruments have been disclosed in Note 17.

Financial assets - derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the Group's effective interest rate.

Based on the nature of the sector and the company, the Group is using appropriate and company specific LGD's and PD's when calculating the expected credit loss.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial Liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Income statement.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting - Initial recognition and subsequent measurement
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

13. FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

13.1 Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

As at 31 March In Rs.'000s	Financial assets at amortised cost 2023	Financial assets at amortised cost 2022	Financial assets at fair value through OCI 2023	Financial assets at fair value through OCI 2022
Financial instruments in non-current assets / non-current liabilities				
Non-current financial assets / liabilities	51,296,399	43,524,568	12,080,643	5,085,311
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Financial instruments in current assets / current liabilities				
Trade and other receivables / payables	21,508,078	27,495,348	-	-
Amounts due from / due to related parties	317,700	196,394	-	-
Short term investments / borrowings	82,221,822	104,099,055	-	1,866,971
Cash in hand and at bank	25,092,977	52,376,531	-	-
Interest-bearing loans and borrowings	-	-	-	-
Leases liabilities	-	-	-	-
Bank overdrafts	-	-	-	-
Total	180,436,976	227,691,896	12,080,643	6,952,282

13.2 Financial assets and liabilities by categories in accordance with SLFRS 9 - Company

As at 31 March In Rs.'000s	Financial assets at amortised cost 2023	Financial assets at amortised cost 2022	Financial assets at fair value through OCI 2023	Financial assets at fair value through OCI 2022
Financial instruments in non-current assets/non-current liabilities				
Non-current financial assets / liabilities	4,367,825	2,995,474	37,158	87,563
Interest-bearing loans and borrowings	-	-	-	-
Financial instruments in current assets/current liabilities				
Trade and other receivables / payables	207,733	103,914	-	-
Amounts due from / due to related parties	1,177,616	660,699	-	-
Short term investments / borrowings	57,473,253	83,972,660	-	-
Cash in hand and at bank	8,232,006	27,362,010	-	-
Interest-bearing loans and borrowings	-	-	-	-
Bank overdrafts	-	-	-	-
Total	71,458,433	115,094,757	37,158	87,563

Financial assets at fair value through profit or loss		Total		Financial liabilities measured at amortised cost/fair value	
2023	2022	2023	2022	2023	2022
580,009	80,610	63,957,051	48,690,489	20,107,025	2,413,880
-	-	-	-	159,778,892	158,921,898
-	-	-	-	32,052,489	30,066,952
-	-	21,508,078	27,495,348	29,866,282	43,469,407
-	-	317,700	196,394	3,615	1,818
-	4,755,518	82,221,822	110,721,544	8,701,652	14,833,056
-	-	25,092,977	52,376,531	-	-
-	-	-	-	12,839,426	40,624,448
-	-	-	-	2,258,653	3,459,496
-	-	-	-	30,048,743	20,321,777
580,009	4,836,128	193,097,628	239,480,306	295,656,777	314,112,732

Total		Financial liabilities measured at amortised cost	
2023	2022	2023	2022
4,404,983	3,083,037	18,380,148	-
-	-	66,907,718	64,634,033
207,733	103,914	631,405	566,252
1,177,616	660,699	58,244	20,912
57,473,253	83,972,660	1,300,000	2,000,000
8,232,006	27,362,010	-	-
-	-	3,344,997	2,562,994
-	-	172,372	2,939,311
71,495,591	115,182,320	90,794,884	72,723,502

13. FINANCIAL INSTRUMENTS AND RELATED POLICIES (CONTD.)

The management assessed that, cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

Fair value of quoted equities, debentures and bonds is based on price quotations in an active market at the reporting date

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as non-current financial liabilities are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair value of the unquoted ordinary shares has been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

13.3 Derivative financial instruments

	GROUP				COMPANY			
	Contract notional amount in USD '000s		Fair value In Rs.'000s		Contract notional amount in USD '000s		Fair value In Rs.'000s	
As at 31 March Cash-flow hedges	2023	2022	2023	2022	2023	2022	2023	2022
Interest rate swap - Derivative asset	100,000	100,000	4,215,838	2,928,815	100,000	100,000	4,215,838	2,928,815

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 Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Timing of revenue recognition					
Goods transferred at a point in time		213,110,409	179,095,601	-	-
Services transferred over time		47,576,963	23,753,574	2,543,712	1,875,722
Total revenue from contracts with customers	14.1.1	260,687,372	202,849,175	2,543,712	1,875,722
Revenue from insurance contracts	14.1.2	15,952,535	15,225,571	-	-
Total revenue		276,639,907	218,074,746	2,543,712	1,875,722

For the better understanding of the Industry segment revenue, please refer Note 8.3 - 8.5 Business Segment analysis - Disaggregation of revenue.

14.3 Reconciliation of revenue

Reconciliation between Revenue from contracts with customers and revenue for each reportable segment has been provided in the operating segment information section.

14.4 Contract balances

Contract assets

Contract assets are the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, with rights that are conditional on some criteria other than the passage of time. Upon satisfaction of the conditions, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities

Contract liabilities are the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer. Contract liabilities include long-term advances received to deliver goods and services, short-term advances received to render certain services as well as transaction price allocated to unexpired service warranties, and loyalty points not yet redeemed.

		GROUP			
		Contract balances		Performance obligations satisfied	
As at / for the year ended 31 March In Rs.'000s	Note	2023	2022	2023	2022
Contract assets		-	-	-	1,297
Contract liabilities					
Other non current liabilities	40	158,640	73,760	-	20,919,960
Trade and other payables	41	186,264	123,166	348,091	341,266
Other current liabilities	43	2,016,418	2,093,394	3,422	3,355
		2,361,322	2,290,320	351,513	21,265,878

14. REVENUE (CONTD.)

14.5 Performance obligations and significant judgements

The Group's performance obligations and significant judgements are summarised below:

Transportation

This operating segment provides an array of transportation related services, which primarily include a marine bunkering business, shipping, logistics and air transportation multinationals as well as travel and airline services. In providing airline services, net revenue is recognised at a point in time upon the sale of tickets as the entity is deemed as the agent. Total transaction price is comprised of cost and commission which is equal to the total ticketing service fee.

In providing Marine Services, the principal activity of the entity is to supply bunker services to their customers, in exchange for a bunker fee. The performance obligation can be termed as bunkering services. Revenue is recognised at a point in time, upon supply of the bunker to the vessels. Transaction price shall comprise of cost and mark up which is equal to total bunkering fee.

Consumer Foods

Consumer Foods segment focuses on manufacturing of a wide range of beverages, frozen confectionary, processed meat and dairy products. Revenue is recognised at the point in time when the control of the asset is transferred to the customer, which is generally upon delivery of the goods. Revenue is measured based on actual sales, and therefore the output method is used for revenue recognition.

Retail

The Retail segment focuses on modern organised retailing through a chain of supermarkets. The office automation business comprises of distribution of printers, copiers, smartphones 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 cash flow will vary according to the agreements.

Transaction price shall comprise of supplier fee and company mark-up, summing up to be the Gross Service fee. The advance payments are recognised as a liability. Upon provision of the services, the liability is set off and revenue is recognised over the period.

Property

Property segment concentrates primarily on property development, renting of commercial office spaces,selling condomoniums and management of the Group's real estate.

At inception of the contract, the entity determines whether it satisfies the performance obligation over time or at a point in time. Timing and amount of cash flow 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 2023.

15. DIVIDEND INCOME

Accounting policy

Dividend

Dividend income is recognised when right to receive the payment is established.

For the year ended 31 March In Rs.'000s	COMPANY 2023	 2022
Dividend income from investments in subsidiaries and equity accounted investees	10,635,000	8,007,649

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 Rs.'000s	2023	2022	2023	2022
Promotional income and commission fee	1,969,177	1,432,800	-	-
Net gain on disposal of property, plant and equipment	14,230	62,198	-	2,532
Write back of dealer deposits	-	11,163	-	-
Sundry income	1,277,214	1,108,632	41,219	48,812
	3,260,621	2,614,793	41,219	51,344

16.2 Other operating expenses

	GROUP		COMPANY	
For the year ended 31 March In Rs.'000s	2023	2022	2023	2022
Impairment of assets	1,106,367	4,886,733	684,451	506,246
Heat, light and power	2,479,316	800,684	-	-
Exchange loss	2,829,548	5,738,298	-	-
Other overheads	3,410,542	1,030,293	63,703	8,232
	9,825,773	12,456,008	748,154	514,478

During the year under review, the Group recognised Rs.422 Mn impairment provision on preference share investment in Saffron Aviation (Pvt) Ltd.

The Company recognised Rs.684 Mn impairment loss of advance payments done for the advanced analytics use cases.

Last year Group balance includes Rs.4.7 Bn impairment in South Asia Gateway Terminals (Pvt) Ltd and Rs.506 Mn impairment in Saffron Aviation (Pvt) Ltd as the value in use of both investments were lower than its carrying values.

17. NET FINANCE INCOME

Accounting policy

Finance income

Finance income comprises of interest income on funds invested dividend income, gains on the disposal of fair value through OCI financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree that are recognised in the income statement.

Interest income is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of fair value through OCI financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the income statement.

Interest expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Net finance income					
Finance income					
Interest income		16,859,268	11,754,077	6,868,182	5,570,988
Dividend income on					
Financial assets at fair value through profit or loss		122,681	147,739	-	-
Financial assets at fair value through other comprehensive income		8,418	5,143	-	-
Realised gains on financial assets at fair value through profit or loss		392,743	361,571	-	-
Unrealised gains on financial assets at fair value through profit or loss		170,719	-	-	-
Investment related direct expenses		(113,773)	(89,645)	-	-
Exchange gains		9,459,720	18,627,294	9,459,720	18,627,294
Total finance income		26,899,776	30,806,179	16,327,902	24,198,282
Finance cost					
Interest expense on borrowings		(13,726,751)	(5,199,990)	(6,539,398)	(2,966,139)
Finance charge on lease liabilities	23.1.2	(1,836,690)	(1,511,437)	-	-
Finance charge on convertible debentures		(2,239,427)	-	(2,239,427)	-
Unrealised loss on financial assets at fair value through profit or loss		-	(323,330)	-	-
Total finance cost		(17,802,868)	(7,034,757)	(8,778,825)	(2,966,139)
Net finance income		9,096,908	23,771,422	7,549,077	21,232,143

18. PROFIT BEFORE TAX

Accounting policy

Expenditure recognition

Expenses are recognised in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the income statement.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's performance.

For the year ended 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Profit before tax				
Profit before tax is stated after charging all expenses including the following;				
Remuneration to executive directors	620,151	391,034	196,093	106,238
Remuneration to non executive directors	71,658	45,795	19,725	15,960
Costs of defined employee benefits				
Defined benefit plan cost	425,375	400,450	27,626	22,766
Defined contribution plan cost - EPF and ETF	1,475,419	1,182,147	97,851	72,880
Other long term employee benefits cost	(628,652)	183,704	(151,006)	42,891
Staff expenses	21,283,417	15,568,605	924,883	587,596
Share based payments	274,062	204,618	78,989	61,117
Auditors' remuneration				
Audit	72,429	52,604	10,239	7,048
Non-audit	10,924	10,733	2,061	4,565
Depreciation of property, plant and equipment	6,280,610	5,014,204	45,153	38,590
Amortisation of intangible assets	852,249	703,906	31,551	33,324
Amortisation of right of use assets	4,151,230	2,841,789	-	-
Provision for impairment	1,106,367	4,886,733	684,451	506,246
(Gain) / Loss on sale of property, plant and equipment and intangible assets	(14,230)	(62,198)	-	(2,532)
Donations	106,612	8,511	101,377	3,386

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. EARNINGS PER SHARE (CONTD.)

19.1 Basic earnings per share

For the year ended 31 March	Note	GROUP 2023	GROUP 2022
Profit attributable to equity holders of the parent		18,173,868	20,212,968
Weighted average number of ordinary shares	19.3	1,384,917	1,336,027
Basic earnings per share		13.12	15.13

19.2 Diluted earnings per share

Profit attributable to equity holders of the parent		18,173,868	20,212,968
Adjusted weighted average number of ordinary shares	19.3	1,384,948	1,336,427
Diluted earnings per share		13.12	15.12

19.3 Amount used as denominator

For the year ended 31 March Number of shares In '000s	Note	GROUP 2023	GROUP 2022
Ordinary shares at the beginning of the year		1,384,917	1,319,664
Effect of share options exercised		-	103
Private placement of ordinary shares		-	16,260
Weighted average number of ordinary shares in issue before dilution		1,384,917	1,336,027
Effects of dilution from:			
Share option scheme		31	400
Effect on convertible debenture	39.1	-	-
Adjusted weighted average number of ordinary shares		1,384,948	1,336,427

20. DIVIDEND PER SHARE

For the year ended 31 March	COMPANY 2023 Rs	COMPANY 2023 In Rs.'000s	COMPANY 2022 Rs	COMPANY 2022 In Rs.'000s
Equity dividend on ordinary shares declared and paid during the year				
Final dividend (Previous years' final dividend paid in the current year)	0.50	692,458	0.50	659,869
Interim dividends	1.50	2,077,375	1.00	1,352,323
Total dividend	2.00	2,769,833	1.50	2,012,192

21. TAXES

Accounting policy

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and for items recognised in other comprehensive income shall be recognised in other comprehensive income and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanisms.

The Group has complied with the arm's length principles relating to transfer pricing as prescribed in the Inland Revenue Act.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax credits and tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the unused tax credits and tax losses carried forward can be utilised except:

- Where the deferred income tax assets relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deducible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

No deferred tax asset or liability has been recognised in the companies which are enjoying the Board of Investment (BOI) tax holiday period, if there are no qualifying assets or liabilities beyond the tax holiday period.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

IFRIC interpretation 23 uncertainty over income tax treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions and Group determined that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

21. TAXES (CONTD.)

21.1 Tax expense

For the year ended 31 March In Rs.'000s	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Income statement					
Current tax charge	21.5	5,251,698	3,252,722	2,057,640	1,060,725
(Over)/Under provision of current tax of previous years		(646,128)	(45,384)	-	-
Irrecoverable economic service charge	21.7	8,925	245,821	-	-
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	(921,202)	3,428,427	-	2,841,984
	21.6	3,693,293	6,881,586	2,057,640	3,902,709
Other comprehensive income					
Deferred tax charge/(reversal)					
Relating to origination and reversal of temporary differences	21.2	7,688,637	806,930	-	-
		7,688,637	806,930	-	-

21.2 Deferred tax expense

For the year ended 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	883,146	330,241	3,487	2,027
Revaluation of investment property to fair value	960,902	580,930	-	-
Retirement benefit obligations	(109,207)	(106,150)	8,170	(74,337)
Benefit arising from tax losses	(2,822,192)	(578,916)	294,713	(295,313)
Unrealised capital gains/others	166,149	3,202,322	(306,370)	3,209,607
Deferred tax charged/(reversal) directly to Income Statement	(921,202)	3,428,427	-	2,841,984
Other comprehensive income				
Deferred tax expense arising from;				
Actuarial losses on defined benefit obligations	37,850	7,723	-	-
Revaluation of land and building to fair value	7,650,787	799,207	-	-
Deferred tax charged/(reversal) directly to OCI	7,688,637	806,930	-	-

Temporary differences associated with the undistributed reserves in subsidiaries for which a deferred tax liability has not been recognised, amounts to Rs.1,985 Mn (2022 - Rs.2,846 Mn). The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

Surcharge tax

Surcharge Tax Act No. 14 of 2022 was enacted on 8 April 2022 and is applicable to the John Keells Group as the collective taxable income of companies belonging to the Group, calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, exceeds Rs.2,000 Mn, for the year of assessment 2020/2021. The liability is computed at the rate of 25 percent on the taxable income of the individual Group companies, net of dividends from subsidiaries and deemed to be an expenditure in the financial statements in the year of assessment which commenced on 1 April 2020.

Total Surcharge Tax of Rs.1,749 Mn and Rs.666 Mn has been recognised for the Group and the Company respectively as an opening adjustment to the 1 April 2022 retained earnings in the statement of Changes in Equity as per the Addendum to the Statement of Alternative Treatment (SoAT) issued by The Institute of Chartered Accountants of Sri Lanka.

South Asia Gateway Terminals (Pvt) Ltd (SAGT) and Nations Trust Bank PLC (NTB) were liable to pay Surcharge Tax on the respective individual entity level. The Group share of total Surcharge Tax of Rs.1,276 Mn has been included in Surcharge Tax charge recognised in the Group Statement of Changes in Equity as an adjustment to the 1 April 2022 opening retained earnings.

21.3 Income tax liabilities

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
At the beginning of the year	2,618,554	1,988,170	880,969	717,029
Charge for the year	2,475,665	3,150,020	2,057,640	1,056,425
Payments and set off against refunds	(3,295,364)	(2,519,636)	(2,050,395)	(892,485)
At the end of the year	1,798,855	2,618,554	888,214	880,969

21.4 Deferred tax

As at 31 March In Rs.'000s	GROUP ASSETS 2023	GROUP ASSETS 2022	GROUP LIABILITIES 2023	GROUP LIABILITIES 2022	COMPANY LIABILITIES 2023	COMPANY LIABILITIES 2022
At the beginning of the year	1,554,438	1,089,027	12,016,404	7,720,111	2,841,984	-
Charge and release	887,641	65,373	7,671,165	4,294,991	-	2,841,984
Transfers / exchange differences	140,196	400,038	-	1,302	-	-
At the end of the year	2,582,275	1,554,438	19,687,569	12,016,404	2,841,984	2,841,984
The closing deferred tax asset and liability balances relate to the following;						
Revaluation of land and building to fair value	(495,207)	(69,843)	14,007,848	5,020,124	-	-
Revaluation of investment property to fair value	-	(3,670)	3,930,908	1,386,639	-	-
Accelerated depreciation for tax purposes	96,240	118,501	3,955,708	2,876,236	5,514	2,027
Employee benefit liability	127,925	83,723	(368,839)	(650,536)	(66,167)	(74,337)
Losses available for offset against future taxable income	2,601,568	1,371,347	(1,804,729)	(670,011)	-	(295,313)
Net gain/loss on fair value through OCI	-	-	(33,327)	-	-	-
Unrealised capital gains/others	251,749	54,380	-	4,053,952	2,902,637	3,209,607
	2,582,275	1,554,438	19,687,569	12,016,404	2,841,984	2,841,984

A deferred tax liability for the Group amounting to Rs.955 Mn (2022 – Rs.955 Mn) has been recognised based on the impact of declared dividends of subsidiaries and the Group's portion of distributable reserves of equity accounted investees.

Accounting judgements, estimates and assumptions

The Group is subject to income tax and other taxes including VAT. Significant judgement was required to determine the total provision for current, deferred and other taxes due to uncertainties that exist with respect to the interpretation of the applicability of tax law at the time of the preparation of these financial statements.

Uncertainties also exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income.

Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. Where the final tax outcome of such matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

The Group has contingent tax liability amounting to Rs.2,353 Mn (2022 - Rs.1,588 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 Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Profit before tax	22,589,417	27,324,493	16,766,924	28,284,116
Dividend income from Group companies	12,838,346	9,137,197	-	-
Share of results of equity accounted investees (net of tax)	(7,573,543)	(1,898,298)	-	-
Other consolidation adjustments	(907,462)	(846,612)	-	-
Profit after adjustments	26,946,758	33,716,780	16,766,924	28,284,116
Exempt profits	(8,257,531)	(6,286,616)	(6,341,931)	(5,498,173)
Income not liable for income tax	(10,754,364)	(18,757,988)	(9,483,972)	(18,590,437)
Resident dividend	(5,361,312)	(675,773)	(4,730,328)	(675,773)
Adjusted accounting profit chargeable to income taxes	2,573,551	7,996,403	(3,789,307)	3,519,732
Disallowable expenses	27,270,260	13,928,603	9,128,503	3,019,904
Allowable expenses	(24,927,414)	(16,234,485)	(9,735,830)	(515,449)
Utilisation of tax losses	(6,914,133)	(3,500,880)	(1,882,772)	-
Current year tax losses not utilised	1,945,620	2,268,887	-	-
Tax effect on investment income	20,218,305	2,209,342	20,218,305	2,209,342
Qualifying payment deductions	(100,187)	(1,931)	(100,187)	(1,330)
Taxable income	20,066,002	6,665,939	13,838,712	8,232,198
Income tax charged at:				
Standard rate	4,652,313	1,475,821	803,633	220,934
Other concessionary rates	599,385	1,776,901	1,254,007	839,791
Current tax charge	5,251,698	3,252,722	2,057,640	1,060,725

21.6 Reconciliation between tax expense and the product of accounting profit

For the year ended 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Adjusted accounting profit chargeable to income taxes	2,573,551	7,996,403	(3,789,307)	3,519,732
Tax effect on chargeable profits	2,057,362	3,300,879	(556,530)	492,762
Tax effect on non deductible expenses	324,694	224,480	65,143	77,067
Tax effect on deductions claimed	(879,004)	(528,582)	(38,563)	(65,635)
Net tax effect of unrecognised deferred tax assets for the year	(1,126,112)	2,866,687	-	3,177,581
Under/(over) provision for previous years	(646,128)	(45,384)	-	
Deferred tax due to carried forward tax losses	705,811	117,460	-	-
Deferred tax due to tax rate change on the temporary differences of previous years	660,155	(16,087)	-	-
Other income based taxes:				
Irrecoverable economic service charge	8,925	245,821	-	-
Tax effect on investment income	2,587,590	220,934	2,587,590	220,934
Deferred tax on affiliated companies dividend reserve	-	495,378	-	-
Tax expense	3,693,293	6,881,586	2,057,640	3,902,709

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.

Income tax and Deferred tax have been provided as per the new rates legislated as per the Inland Revenue (Amendment) Act No 45 of 2022. The deferred tax charge/(reversal) in the Income Statement includes Rs.660 Mn for the Group relating to the tax rate change on the temporary differences of previous years. The deferred tax charge in the Other Comprehensive Income statement includes Rs.5.1 Bn for the Group relating to the tax rate change on the temporary differences of previous years.

21.7 Economic Service Charge (ESC)

For the year ended 31 March In Rs.'000s	GROUP 2023	 2022
Irrecoverable Economic Service Charge (ESC)	8,925	245,821
	8,925	245,821

21.8 Tax losses carried forward

For the year ended 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Tax losses brought forward	16,157,602	11,302,534	1,230,471	1,230,471
Adjustments on finalisation of liability	140,433	189,281	-	-
Tax losses arising during the year	3,488,753	6,486,569	-	-
Utilisation of tax losses	(6,914,133)	(1,820,782)	-	-
	12,872,655	16,157,602	1,230,471	1,230,471

The Group has tax losses amounting to Rs.12,873 Mn (2022 - Rs.16,158 Mn) are available to offset against future taxable profits of the companies in which the tax losses arose.

21.9 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 30% except for the following companies which enjoy full or partial exemptions and concessions.

Company / Sector	Basis	Exemptions or concessions	Period
Exemptions / concessions granted under the Inland Revenue Act			
John Keells Properties Ja-Ela (Pvt) Ltd	New undertaking engaged in construction of commercial buildings	Exempt	9 years from 1st April 2015
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 to the local companies	- do -	31 March 2023
Cinnamon Hotel Management Ltd	Export of services	- do -	Open ended
Cinnamon Hotel Management International Pvt Ltd	Export of services	- do -	- do -
Walkers Tours Ltd	Export of services	- do -	- do -
Whittall Boustead Travels Ltd	Export of services	- do -	- do -
John Keells International (Pvt) Ltd	Export of services	- do -	- do -
Infomate (Pvt) Ltd	- do -	- do -	- do -
John Keells Information Technology (Pvt) Ltd	- do -	- do -	- do -
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 1st April 2014
John Keells Logistics (Pvt) Ltd (Sites covered by the BOI agreement)	Warehousing	20%	Open ended
Waterfront Properties (Pvt) Ltd	Integrated super luxury tourist resort	Exempt	10 years from 1st year of profit or 3 years from operations

21. TAXES (CONTD.)

21.10 Income tax rates of off-shore subsidiaries

Country of incorporation	Company	Rate
India	John Keells Foods India (Pvt)Ltd	30.9%
Mauritius	John Keells BPO International (Pvt) Ltd	15%
	John Keells BPO Holdings (Pvt) Ltd	15%
Republic of Maldives	Fantasea World Investments (Pte) Ltd	15%
	Travel Club (Pte) Ltd	15%
	Tranqulity (Pte) Ltd	15%
	John Keells Maldivian Resorts (Pte) Ltd	15%
	Mack Air Services Maldives (Pte) Ltd	15%
Singapore	John Keells Singapore (Pte) Ltd	17% (Max)

22. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Property, plant and equipment except for land and buildings are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement.
A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value on the date of revaluation. The Group has adopted a policy of revaluing assets by professional valuers at least every 5 years, except for properties held for rental and occupied mainly by group companies, which are revalued by professional valuers at least every 3 years.

Derecognition
An item of property, plant and equipment is derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation
Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings (other than hotels)	50
Hotel buildings	up to 70
Plant and machinery	10 – 25
Equipment	2– 15
Furniture and fittings	2– 15
Motor vehicles	4 – 10
Returnable containers	10
Vessels	10-25

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Impairment of property plant and equipment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement, except that, impairment losses in respect of property, plant and equipment previously revalued are recognised against the revaluation reserve through the statement of other comprehensive income to the extent that it reverses a previous revaluation surplus.

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 Rs.'000s	Land and buildings	Buildings on leasehold land	Plant and machinery	Equipment, furniture and fittings
Cost or valuation				
At the beginning of the year	65,154,160	44,833,870	18,550,843	18,465,197
Additions	111,851	2,008,224	1,132,309	1,898,536
Disposals	(63)	(17,827)	(248,047)	(427,042)
Revaluations	5,981,027	2,021,816	-	-
Transfers (from revaluation adjustment)	(308,460)	(749,496)	-	-
Impairment/ Derecognition	-	-	-	-
Transfers	81,653	292,950	366,118	54,262
Exchange differences	-	1,529,638	68,912	103,470
At the end of the year	71,020,168	49,919,175	19,870,135	20,094,423
Accumulated depreciation and impairment				
At the beginning of the year	(1,196,874)	(7,465,502)	(8,532,783)	(10,326,917)
Charge for the year	(360,696)	(1,907,397)	(1,333,594)	(1,766,006)
Disposals	218	11,229	193,326	377,810
Transfers (from revaluation adjustment)	308,460	749,496	-	-
Impairment	-	-	-	-
Transfers	31	-	-	(31)
Exchange differences	-	(362,243)	(2,447)	19,639
At the end of the year	(1,248,861)	(8,974,417)	(9,675,498)	(11,695,505)
Carrying value				
As at 31 March 2023	69,771,307	40,944,758	10,194,637	8,398,918
As at 31 March 2022	63,957,286	37,368,368	10,018,060	8,138,280

22.2 Property, plant and equipment - Company

As at 31 March In Rs.'000s	Plant and machinery	Equipment, furniture and fittings	Motor vehicles	Total 2023	Total 2022
Cost					
At the beginning of the year	3,454	284,048	50,162	337,664	346,775
Additions	-	102,340	-	102,340	14,160
Disposals	-	-	-	-	(23,271)
At the end of the year	3,454	386,388	50,162	440,004	337,664
Accumulated depreciation and impairment					
At the beginning of the year	(3,197)	(216,295)	(34,939)	(254,431)	(235,974)
Charge for the year	(3)	(39,857)	(5,293)	(45,153)	(38,590)
Disposals	-	-	-	-	20,133
At the end of the year	(3,200)	(256,152)	(40,232)	(299,584)	(254,431)
Carrying value					
As at 31 March 2023	254	130,236	9,930	140,420	
As at 31 March 2022	257	67,753	15,233		83,233

Motor vehicles Freehold	Returnable containers	Others	Vessels	Capital work in progress	Total 2023	Total 2022
848,587	996,023	6,818,476	1,158,719	1,196,493	158,022,367	140,053,614
84,399	44,310	646,280	1,614	1,146,335	7,073,858	6,626,776
(17,456)	(110,397)	(193,431)	(151,211)	(230,813)	(1,396,287)	(943,987)
-	-	-	-	-	8,002,843	4,626,359
-	-	-	-	-	(1,057,956)	(668,529)
-	-	-	-	-	-	(42,296)
16,028	46,807	62,099	-	226,998,896	227,918,813	(255,015)
45,693	-	(17,265)	-	69	1,730,517	8,625,445
977,251	976,743	7,316,158	1,009,122	229,110,980	400,294,155	158,022,367
(573,316)	(746,890)	(4,292,053)	(540,428)	-	(33,674,763)	(26,976,972)
(157,303)	(57,300)	(596,562)	(101,752)	-	(6,280,610)	(5,014,204)
9,855	110,662	166,294	151,211	-	1,020,605	572,945
-	-	-	-	-	1,057,956	668,529
-	-	-	-	-	-	10,899
-	-	105	-	-	105	18,711
198	-	24,404	-	-	(320,449)	(2,954,671)
(720,566)	(693,528)	(4,697,812)	(490,969)	-	(38,197,156)	(33,674,763)
256,685	283,215	2,618,346	518,153	229,110,980	362,096,999	
275,271	249,133	2,526,423	618,291	1,196,493		124,347,604

Rs.228 Bn transferred to property plant and equipment - work in progress from other non-current assets which represents the construction work in progress of Waterfront Properties (Pvt) Ltd.

The freehold and leasehold property which are relating to Waterfront Properties (Pvt) Ltd are located at Glennie Street and Justice Akbar Mawatha, Colombo 2.

During the year 2022/2023 there was no depreciation capitalised as a part of the cost of other assets.

22.3 Revaluation of land and buildings

Accounting judgements, estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The most recent revaluation was carried out on 31 December 2022.

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.

22. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

22.3 Revaluation of land and buildings (Contd.)

Details of Group's land, building and other properties stated at valuation are indicated below;

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
Land and Building						
Asian Hotels & Properties PLC	P B Kalugalagedara	DCC	Rs.18,000,000 - Rs.20,000,000	Rs.3,000 - Rs.15,000	-	Positive
Beruwala Holiday Resorts (Pvt) Ltd	-do-	OMV	Rs.1,000,000 - Rs.1,250,000	Rs.2,000 - Rs.8,000	-	Positive
Ceylon Cold Stores PLC	-do-	OMV	Rs.100,000 - Rs.300,000	Rs.500 - Rs.5,000	-	Positive
Kandy Walk Inn Ltd	S Fernando	OMV	Rs.13,000 - Rs.1,350,000	Rs.1,250 - Rs.9,000	-	Positive
Keells Food Products PLC	P B Kalugalagedara	DCC	Rs.700,000	Rs.400 - Rs.3,250	-	Positive
Keells Realtors Ltd	-do-	DCC	Rs.1,825,000	Rs.500 - Rs.2,550	-	Positive
Mackinnons Keells Ltd	-do-	DCC	Rs.10,000,000	Rs.1,700	-	Positive
Tea Smallholder Factories PLC	K T D Tissera	DCC	Rs.5,000 - Rs.40,000	Rs.500 - Rs.3,000	-	Positive
Trinco Holiday Resort (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.400,000	Rs.1,000 - Rs.7,250	-	Positive
Union Assurance PLC	-do-	DCC	Rs.9,000,000 - Rs.19,750,000	Rs.600 - Rs.7,500	-	Positive
Vauxhall Land Developments (Pvt) Ltd	-do-	OMV	Rs.18,000,000	-	-	Positive
Buildings on leasehold land						
Ceylon Holiday Resorts Ltd	P B Kalugalagedara	DCC	-	Rs.9,000 - Rs.17,000	-	Positive
Keells Food Products PLC	-do-	OMV	-	Rs.150 - Rs.2,000	-	Positive
Habarana Lodge Ltd	S Fernando	DCC	-	Rs.1,000 - Rs.11,000	-	Positive
Habarana Walk Inn Ltd	-do-	DCC	-	Rs.2,300 - Rs.9,250	-	Positive
Hikkaduwa Holiday Resort (Pvt) Ltd	P B Kalugalagedara	DCC	-	Rs.3,000 - Rs.8,500	-	Positive
Jaykay Marketing Service (Pvt) Ltd	-do-	IM	-	-	6%	Negative
John Keells Warehousing (Pvt) Ltd	K T D Tissera	IM	-	Rs.800 - Rs.4,000	-	Positive
Rajawella Holdings Ltd	P B Kalugalagedara	DCC	-	Rs.2,000 - Rs.9,500	-	Positive
Trans Asia Hotels PLC	-do-	DCC	-	Rs.450 - Rs.9,000	-	Positive
Yala Village (Pvt) Ltd	-do-	DCC	-	Rs.2,500 - Rs.9,000	-	Positive

Effective date of valuation was 31 December 2022.

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 capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractors) 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;

As at 31 March In Rs.'000s	GROUP 2023	 2022
Cost	50,195,043	48,109,810
Accumulated depreciation and impairment	(6,303,879)	(5,472,601)
Carrying value	43,891,164	42,637,209

Group land and buildings with a carrying value of Rs.4,090 Mn (2022 - Rs.4,098 Mn) have been pledged as security for term loans obtained, details of which are disclosed in Note 37.2.

Group property, plant and equipment with a cost of Rs.12,818 Mn (2022 - Rs.9,100 Mn) have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets continued to be in used by the Company Rs.684 Mn (2022 - Rs.650 Mn).

The amount of borrowing costs capitalised during the year ended 31 March 2023 was Rs.8.1 Bn (2022 - Rs.122 Mn) by the Group.

23. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Accounting Policy

Right of use assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group uses 6 months AWPLR based plus margin when calculating the incremental borrowing rate which reflects the average rate of borrowings in the Group. Quarterly calculated incremental borrowing rates were used to discount new leases obtained during the year.

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.

23. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTD.)

23.1 Amounts recognised in the statement of financial position and income statement

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the year ended 31 March 2023.

23.1.1 Right of use assets

In Rs.'000s	Lease hold properties	Motor Vehicles	GROUP Total 2023	Total 2022
At the beginning of the year	53,466,210	15,364	53,481,574	40,616,850
Additions	1,432,127	14,041	1,446,168	1,974,156
Disposals	(55,851)	(2,070)	(57,921)	(140,905)
Amortisation expense	(4,142,026)	(9,204)	(4,151,230)	(2,841,789)
Exchange differences	3,466,355	-	3,466,355	13,873,262
At the end of the year	54,166,815	18,131	54,184,946	53,481,574

23.1.2 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements for the period ended 31 March 2023.

In Rs.'000s	GROUP 2023	2022
At the beginning of the year	33,526,448	25,707,265
Additions	1,446,167	1,927,327
Transfers	(119,811)	(98,571)
Finance charge on lease liabilities	1,836,690	1,511,437
Disposals	(7,493)	(140,905)
Payments	(4,308,342)	(3,140,184)
Exchange differences	1,937,483	7,760,079
At the end of the year	34,311,142	33,526,448
Current	2,258,653	3,459,496
Non-current	32,052,489	30,066,952
Total lease liabilities as at 31 March	34,311,142	33,526,448
Following are the amounts recognised in income statement for the year ended 31 March		
Amortisation of right-of-use assets	4,151,230	2,841,789
Interest expense on lease liabilities	1,836,690	1,511,437
Total amount recognised in income statement	5,987,920	4,353,226

Expenses relating to short term leases and leases of low value assets amounting to Rs.573 Mn (2022 - Rs.548 Mn) has recognised in profit or loss.

24. INVESTMENT PROPERTIES

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 2022.

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.

As at 31 March In Rs.'000s	GROUP 2023	 2022
Carrying value		
At the beginning of the year	30,607,550	14,867,586
Additions	-	386,987
Transfers	307,559	22,849,369
Net gain / (loss) from fair value remeasurement	878,538	(4,084,755)
Disposals	-	(1,137,119)
Exchange differences	1,235,738	(2,274,518)
At the end of the year	33,029,385	30,607,550
Freehold property	32,121,651	30,024,752
Leasehold property	907,734	582,798
	33,029,385	30,607,550
Following are the amounts recognised in income statement for the year ended 31 March		
Rental income earned	472,387	416,442
Direct operating expenses generating rental income	154,626	144,727
Direct operating expenses that did not generate rental income	-	-

Accounting judgments, estimates and assumptions

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties in similar locations and category. Investment property is appraised in accordance with LKAS 40, SLFRS 13 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC) by the independent valuers. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value are recognised in the Income Statement. The determined fair values of investment properties, using investment method, are most sensitive to the estimated yield as well as the long term occupancy rate.

24. INVESTMENT PROPERTY (CONTD.)

Description of valuation techniques used and key inputs to valuation of investment properties:

Property	Name of the Chartered Valuation Surveyor	Method of valuation*	Significant unobservable inputs			
			Estimated price per perch	Estimated price per square foot	Estimated discount rate	Correlation to fair value
Freehold property						
Ahungalla Holiday Resort Ltd	S Fernando	DCC	Rs.275,000 - Rs.440,000	-	-	Positive
Asian Hotels and Properties PLC	P B Kalugalagedara	IM	-	-	6%	Negative
Ceylon Cold Stores PLC	-do-	OMV	Rs.1,800,000	Rs.2,000	-	Positive
Facets (Pvt) Ltd	S Fernando	DCC	Rs.525,000	-	-	Positive
Glennie Properties (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.16,000,000	-	-	Positive
John Keells Properties Ja-Ela (Pvt) Ltd	-do-	DCC	Rs.1,250,000	Rs.4,750	-	Positive
John Keells PLC	-do-	OMV	Rs.800,000	-	-	Positive
J K Thudella Properties (Pvt) Ltd	P P T Mohideen	OMV	Rs.300,000	-	-	Positive
Keells Realtors Ltd	P B Kalugalagedara	DCC	Rs.1,600,000 - Rs.2,500,000	Rs.900	-	Positive
Resort Hotels Ltd	S Fernando	DCC	Rs.125,000 - Rs.285,000	-	-	Positive
Trinco Walk Inn Ltd	-do-	DCC	Rs.150,000 - Rs.385,000	-	-	Positive
Waterfront Properties (Pvt) Ltd	P B Kalugalagedara	IM	-	-	6%	Negative
Whittall Boustead (Pvt) Ltd	-do-	DCC	Rs.2,750,000	Rs.500 - Rs.2,000	-	Positive
Wirawila Walk Inn Ltd	S Fernando	DCC	Rs.25,000	-	-	Positive
Vauxhall Land Developments (Pvt) Ltd	P B Kalugalagedara	OMV	Rs.18,000,000	-	-	Positive
Leasehold property						
JayKay Marketing Services (Pvt) Ltd	P B Kalugalagedara	IM	Rs.225,000 - Rs.300,000	-	6%	Negative
Tea Smallholder Factories PLC	-do-	DCC	Rs.2,700,000	Rs.1,150	-	Positive

* Summary of valuation methodologies can be found in property plant and equipment Note 22.3.

The level at which fair value measurement is categorised can be found in fair value measurement and related fair value disclosures Note 12.1.

25. INTANGIBLE ASSETS

Accounting policy

Basis of recognition

An Intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged to income statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and treated as accounting estimates. The amortisation is calculated by using straight-line method on the cost of all the intangible assets and the amortisation expense on intangible assets with finite lives is recognised in the income statement.

Intangible assets with indefinite useful lives and goodwill are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised as an intangible asset, when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- Its intention to complete and its ability to use or sell the assets,
- how the assets will generate future economic benefits,
- the availability of resources to complete the assets,
- the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure of an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit from the use or expected future sales from the related project. During the period of development, the asset is tested for impairment annually.

Contractual relationships

Contractual relationships are rights which provide access to distribution networks. Contractual relationships are initially recognised at cost and amortised over the contract period.

A summary of the policies applied to the Group's intangible assets is as follows.

Intangible assets	Useful life	Type	Impairment testing
Purchased software	5 - 10	Acquired	When indicators of impairment exists. The amortisation method is reviewed at each financial year end.
Software license	5		
Contractual relationships	5 - 10		
Developed software	5 - 10	Internally generated	Annually for assets not yet in use and more frequently when indicators of impairment arise. For assets in use, when indicators of impairment arise. The amortisation method is reviewed at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

25. INTANGIBLE ASSETS (CONTD.)

25.1 Intangible assets

As at 31 March In Rs.'000s	Software			
	Developed	Purchased	Licenses	WIP
Cost/carrying value				
At the beginning of the year	2,780,878	1,182,057	2,056,967	50
Additions	976,719	80,199	205,403	33,469
Transfers	9,568	119	(42,295)	(9,568)
Disposal	-	(479)	(516)	-
Impairment	-	-	-	-
At the end of the year	3,767,165	1,261,896	2,219,559	23,951
Accumulated amortisation and impairment				
At the beginning of the year	(668,431)	(506,374)	(1,089,532)	-
Amortisation	(308,781)	(129,445)	(228,807)	-
Transfers	-	-	2,820	-
Disposal	-	202	36	-
At the end of the year	(977,212)	(635,617)	(1,315,483)	-
Carrying value				
As at 31 March 2023	2,789,953	626,279	904,076	23,951
As at 31 March 2022	2,112,447	675,683	967,435	50

Group Intangible assets with a cost of Rs.223 Mn (2022- Rs.157 Mn) have been fully amortised and continue to be in use by the Group.

25.2 Intangible assets - Goodwill

As at 31 March In Rs.'000s	GROUP Net carrying value	
	2023	2022
Goodwill acquired through business combinations have been allocated to following cash generating units (CGU's) for impairment testing,		
Cinnamon Hotels and Resorts	166,248	166,248
Consumer Foods	299,293	299,293
Financial Services	265,360	265,360
	730,901	730,901

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.

Goodwill	Other	GROUP 2023 Total	GROUP 2022 Total	COMPANY Software Licenses 2023 Total	COMPANY Software Licenses 2022 Total
730,901	1,267,767	8,018,620	6,771,743	681,806	651,641
-	-	1,295,790	1,360,177	-	30,165
-	-	(42,176)	225,110	-	-
-	(10,000)	(10,995)	(330,715)	-	-
-	-	-	(7,695)	-	-
730,901	1,257,767	9,261,239	8,018,620	681,806	681,806
-	(354,945)	(2,619,282)	(1,918,765)	(587,443)	(554,119)
-	(185,216)	(852,249)	(703,906)	(31,551)	(33,324)
-	-	2,820	-	-	-
-	-	238	3,389	-	-
-	(540,161)	(3,468,473)	(2,619,282)	(618,994)	(587,443)
730,901	717,606	5,792,766		62,812	
730,901	912,822		5,399,338		94,363

Accounting judgments, estimates and assumptions

Impairment of goodwill

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the different cash generating units, are as follows;

Gross margins

The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions.

Discount rates

The discount rate used is the risk free rate, adjusted by the addition of an appropriate risk premium.

Inflation

The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic conditions.

Volume growth

Volume growth has been budgeted on a reasonable and realistic basis by taking into account the industry growth rates of one to four years immediately subsequent to the budgeted year. Cash flows beyond the five year period are extrapolated using 0% growth rate.

26. INVESTMENT IN SUBSIDIARIES

Accounting policy

Investment in subsidiaries is initially recognised at cost in the financial statements of the Company. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognised in the income statement. After the initial recognition, Investments in subsidiaries are carried at cost less any accumulated impairment losses.

26.1 Carrying value

As at 31 March In Rs.'000s		COMPANY 2023	 2022
Quoted	26.2	20,299,498	20,256,309
Unquoted	26.3	177,775,113	96,710,286
		198,074,611	116,966,595

26.2 Group quoted investments

As at 31 March	GROUP Number of shares	 Effective holding %	COMPANY Number of shares	 Effective holding %	 2023 In Rs.'000s	 2022 In Rs.'000s
Cost						
Asian Hotels and Properties PLC	347,824,190	78.56%	347,824,190	78.56%	5,377,344	5,378,525
Ceylon Cold Stores PLC	773,212,040	81.36%	671,558,120	70.66%	1,709,632	1,682,346
John Keells Hotels PLC	1,169,598,478	80.32%	1,169,598,478	80.32%	7,102,140	7,102,140
John Keells PLC	52,834,784	86.90%	52,834,784	86.90%	491,354	488,005
Keells Food Products PLC	22,937,250	88.63%	20,364,054	79.86%	1,241,989	1,241,876
Tea Smallholder Factories PLC	11,286,000	37.62%	11,286,000	37.62%	66,809	66,809
Trans Asia Hotels PLC	184,107,284	82.74%	97,284,256	48.64%	1,619,225	1,617,229
Union Assurance PLC	530,357,150	90.00%	530,357,150	90.00%	2,691,005	2,679,379
					20,299,498	20,256,309

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Market Value				
Asian Hotels and Properties PLC	15,304,264	12,869,495	15,304,264	12,869,495
Ceylon Cold Stores PLC	30,929,818	30,079,248	26,862,325	26,123,611
John Keells Hotels PLC	22,105,411	13,684,302	22,105,411	13,684,302
John Keells PLC	3,635,033	3,619,183	3,635,033	3,619,183
Keells Food Products PLC	3,669,960	3,813,318	3,258,249	3,385,524
Tea Smallholder Factories PLC	496,584	305,851	496,584	305,851
Trans Asia Hotels PLC	8,321,649	8,873,971	4,397,248	4,689,101
Union Assurance PLC	17,501,786	16,083,081	17,501,786	16,083,081
	101,964,505	89,328,449	93,560,900	80,760,148

26.3 Group unquoted investments

As at 31 March	GROUP		COMPANY			
	2023		2023			2022
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In Rs.'000s	Cost In Rs.'000s
Ahungalla Holiday Resorts (Pvt) Ltd	13,275,000	80.32	-	-	-	-
Beruwala Holiday Resorts (Pvt) Ltd	219,725,653	79.78	-	-	3,586	3,586
British Overseas (Pvt) Ltd	61	61.00	61	61.00	-	-
Ceylon Holidays Resorts Ltd	18,260,784	79.60	-	-	3,893	3,887
Cinnamon Hotel Management Ltd	1,000,000	100.00	1,000,000	100.00	500,486	455,075
Cinnamon Hotel 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	-	-	4,908	4,738
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	-	-	4,312	4,096
Habarana Walk Inn Ltd	4,321,381	79.34	-	-	2,719	2,719
Hikkaduwa Holiday Resorts (Pvt) Ltd	107,596,700	79.60	-	-	2,874	2,621
Infomate (Pvt) Ltd	2,000,000	100.00	2,000,000	100.00	43,773	41,395
International Tourists and Hoteliers Ltd	38,490,901	79.78	-	-	-	-
J K Land (Pvt) Ltd	2,302,760,246	100.00	2,302,760,246	100.00	24,964,639	24,964,639
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	-	-	258,114	226,222
John Keells BPO Holdings (Pvt) Ltd	19,000,000	100.00	-	-	-	-
John Keells BPO International (Pvt) Ltd	1,500,000,000	100.00	-	-	-	-
John Keells BPO Solutions Lanka (Pvt) Ltd	32,843,578	100.00	-	-	-	-
John Keells Information Technology (Pvt) Ltd	9,650,000	100.00	9,650,000	100.00	124,665	123,346
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	676,747	673,526
John Keells Logistics (Pvt) Ltd	19,999,998	100.00	19,999,998	100.00	232,048	229,930
John Keells Maldivian Resorts (Pte) Ltd	49,044,238	80.32	-	-	18,299	18,152
John Keells Office Automation (Pvt) Ltd	500,000	100.00	500,000	100.00	74,813	71,170
John Keells Properties (Pvt) Ltd	101,804	100.00	101,804	100.00	-	-
John Keells Properties Ja-Ela (Pvt) Ltd	95,436,000	100.00	-	-	-	-
John Keells Residential Properties (Pvt) Ltd	2,081,698	100.00	2,081,698	100.00	20,817	20,817
John Keells Singapore (Pte) Ltd	160,000	80.00	160,000	80.00	4,209	4,209
John Keells Stock Brokers (Pvt) Ltd	1,500,000	90.04	360,000	24.00	90,902	85,187
John Keells Teas (Pvt) Ltd	12,000	100.00	12,000	100.00	26,599	22,424
John Keells Warehousing (Pvt) Ltd	12,000,000	86.90	-	-	5,039	5,034
Kandy Walk Inn Ltd	6,165,484	79.03	-	-	4,094	4,089
Keells Consultants (Pvt) Ltd	928	100.00	928	100.00	2,070	2,066
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	1,418,844	1,409,828
Logipark International (Pvt) Ltd	60,407,698	81.36	-	-	284	-
Mack Air (Pvt) Ltd	89,260	100.00	89,260	100.00	40,405	38,149
Mack Air Services Maldives (Pvt) Ltd	4,900	49.00	4,700	47.00	2,022	2,022
Mack Freight Lanka (Pvt) Ltd	13,000,000	100.00	13,000,000	100.00	3,015	2,268
Mackinnon Keells Ltd	31,966,951	100.00	31,966,951	100.00	670,166	670,166
Mackinnon Mackenzie and Company (Shipping) Ltd	139,092	100.00	139,092	100.00	65,844	65,850

26. INVESTMENT IN SUBSIDIARIES (CONTD.)

As at 31 March	GROUP		COMPANY			
	2023		2023			2022
	Number of shares	Effective holding %	Number of shares	Effective holding %	Cost In Rs.'000s	Cost In Rs.'000s
Mackinnon Mackenzie and Company of (Ceylon) Ltd	1,244	100.00	1,244	100.00	29,122	29,122
Mackinnons Travels (Pvt) Ltd	499,996	100.00	499,996	100.00	31,853	31,150
Mortlake (Pvt) Ltd	43	100.00	43	100.00	20,000	20,000
Nuwara Eliya Holiday Resorts (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	3,327,595	80.32	-	-	-	-
Resort Hotels Ltd	639,421	79.89	-	-	-	-
The Colombo Ice Company (Pvt) Ltd	169,999,999	81.36	-	-	1,365	1,155
Tranquility (Pte) Ltd	637,499	80.32	-	-	5,879	5,702
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	-	-	3,693	3,690
Trinco Holiday Resorts (Pvt) Ltd	8,120,005	80.32	-	-	3,628	3,623
Trinco Walk Inn Ltd	3,000,007	80.32	-	-	-	-
Vauxhall Land Developments (Pvt) Ltd	2,171,655,391	100.00	-	-	-	-
Walkers Tours Ltd	3,737,634	98.51	3,737,634	98.05	200,041	195,291
Waterfront Properties (Pvt) Ltd	13,996,538,919	99.10	13,265,614,492	94.78	132,745,038	64,169,906
Waterfront Properties (Pvt) Ltd - Preference shares	1,234,827,544	-	1,234,827,544	-	12,348,275	-
Whittall Boustead (Pvt) Ltd	5,341,105	100.00	5,341,105	100.00	1,689,049	1,668,721
Whittall Boustead (Travel) Ltd	22,452,271	100.00	22,452,271	100.00	280,558	278,289
Wirawila Walk Inn Ltd	2,012,822	80.32	-	-	-	-
Yala Village (Pvt) Ltd	28,268,000	75.33	-	-	2,752	2,752
Yala Village (Pvt) Ltd- Non voting preference shares	10,000,000	-	-	-	-	-
					177,775,113	96,710,286

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 Ltd
Colombo West International Terminal (Pvt) Ltd
Fairfirst Insurance Ltd
Indra Hotels and Resorts Kandy (Pvt) Ltd
Maersk Lanka (Pvt) Ltd
Nations Trust Bank PLC
Saffron Aviation (Pvt) Ltd
South Asia Gateway Terminals (Pvt) Ltd

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint ventures incorporated in Sri Lanka entered into by the Group, which have been accounted for using the equity method, are:

Braybrooke Residential Properties (Pvt) Ltd
DHL Keells (Pvt) Ltd
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd
Sentinel Reality (Pvt) Ltd

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Nature of the entity's relationship, principal place of business and the country of incorporation is disclosed in group directory.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in income statement.

The accounting policies of associate companies and joint ventures conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below.

Equity method of accounting has been applied for associates and joint ventures using their corresponding/matching 12 months financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

27. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTD.)

As at 31 March	GROUP				COMPANY			
	Number of shares	Effective Holding %	2023 In Rs. '000s	2022 In Rs. '000s	Number of shares	Effective Holding %	2023 In Rs. '000s	2022 In Rs. '000s
27.1 Investments in joint ventures								
Braybrooke Residential Properties (Pvt) Ltd	102	50.00	1,804,500	1,804,500	-	-	-	-
DHL Keells (Pvt) Ltd	1,000,000	50.00	10,000	10,000	1,000,000	50.00	10,000	10,000
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd	164,520	60.00	16,452	16,452	164,520	60.00	16,452	16,452
Sentinel Reality (Pvt) Ltd	6,958,469	40.16	65,768	64,949	-	-	-	-
27.2 Investments in associates								
Quoted								
Nations Trust Bank PLC- Voting shares	81,453,184	29.49	2,215,746	1,954,510	54,483,737	19.72	1,542,220	1,367,480
Nations Trust Bank PLC- Non voting shares	22,599,226	52.10	1,900,681	1,827,923	17,926,596	41.33	1,397,585	1,339,871
Unquoted								
Capitol Hotel Holdings (Pvt) Ltd	3,249,232	19.47	325,483	325,483	3,254,832	19.47	325,483	325,483
Colombo West International Terminal (Pvt) Ltd	55,792,426	34.00	5,579,243	2,855,970	55,792,426	34.00	5,579,243	2,855,969
Fairfirst Insurance Ltd	68,902,870	19.80	689,718	689,718	-	-	-	-
Indra Hotels and Resorts (Pvt) Ltd	67,050,025	32.13	670,742	670,742	-	-	-	-
Maersk Lanka (Pvt) Ltd	30,000	30.00	150	150	30,000	30.00	150	150
Saffron Aviation (Pvt) Ltd	24,887,160	40.00	248,872	248,872	24,887,160	40.00	-	-
Saffron Aviation (Pvt) Ltd - Preference shares	135,530,835	-	506,247	506,247	135,530,835	-	-	-
South Asia Gateway Terminals (Pvt) Ltd	159,826,750	42.19	7,346,367	7,346,367	159,826,750	42.19	7,346,367	7,346,367
Cumulative profit accruing to the Group net of dividend	-	-	6,088,033	6,194,213	-	-	-	-
Share of net assets of equity accounted investees	-	-	11,018,144	9,349,460	-	-	-	-
	-	-	38,486,146	33,865,556			16,217,500	13,261,772

Group's shareholding in Nations Trust Bank PLC (NTB)

The Director of Bank Supervision of the Central Bank of Sri Lanka (CBSL) informed John Keells Holdings PLC, in terms of a decision taken by the Monetary Board of the CBSL, the Group has been granted further time till 31 December 2021 to reduce its shareholding in the voting shares of the NTB to 20 percent. Subsequent to that, the Group is required to reduce its shareholding in the NTB to 15 percent on or before 31 December 2022. The Monetary Board has also required NTB to limit the voting rights of the Group to 10 percent with effect from 31 March 2018. NTB will continue to be an associate company of the Group. As at 31 March 2023, the Group has an economic interest of 32.57 percent in NTB. The Group requested for an extension by letter dated 15 November 2021, and a response is awaited.

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Market Value				
Quoted shares of Nations Trust Bank PLC				
Voting shares	5,213,004	3,463,150	3,486,959	2,316,489
Non voting shares	1,283,636	1,284,907	1,018,231	1,019,239
	6,496,640	4,748,057	4,505,190	3,335,728

27.3 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEES

As at/year ended 31 March In Rs.'000s	South Asia Gateway Terminals (Pvt) Ltd 2023	2022	Other associates 2023	2022	Joint ventures 2023	2022	Total 2023	2022
Group share of;								
Revenue	14,382,232	8,103,449	13,363,535	9,544,444	7,092,226	8,633,085	34,837,993	26,280,978
Operating expenses including cost of sales	(6,712,293)	(4,360,150)	(8,369,466)	(6,530,011)	(6,742,137)	(7,194,726)	(21,823,896)	(18,084,887)
Net finance income	93,393	151,165	282,176	(45,422)	(625,147)	(107,069)	(249,578)	(1,326)
Tax expense	(3,092,315)	(491,854)	(1,817,599)	(579,322)	(281,062)	(377,650)	(5,190,976)	(1,448,826)
Share of results of equity accounted investees	4,671,017	3,402,610	3,458,646	2,389,689	(556,120)	953,640	7,573,543	6,745,939
Other comprehensive income	913,548	4,448,407	748,850	(466,783)	(21,415)	(3,033)	1,640,983	3,978,591
Total Comprehensive Income	5,584,565	7,851,017	4,207,496	1,922,906	(577,535)	950,607	9,214,526	10,724,530
Group share of;								
Total assets	14,954,279	16,226,919	168,098,266	169,020,223	15,468,925	12,522,508	198,521,470	197,769,650
Total liabilities	(4,616,383)	(5,230,466)	(143,023,128)	(149,888,167)	(12,574,972)	(8,964,620)	(160,214,483)	(164,083,253)
Net assets	10,337,896	10,996,453	25,075,138	19,132,056	2,893,953	3,557,888	38,306,987	33,686,397
Goodwill	-	-	165,899	165,899	13,260	13,260	179,159	179,159
	10,337,896	10,996,453	25,241,037	19,297,955	2,907,213	3,571,148	38,486,146	33,865,556
Capital commitments	-	-	-	-	3,447,202	4,019,277	3,447,202	4,019,277
Other commitments and Guarantees	-	-	82,700,599	78,043,531	-	-	82,700,599	78,043,531
Dividend received	5,582,716	3,362,755	711,294	448,760	110,000	100,000	6,404,010	3,911,515

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
The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The Bank ceases the recognition of interest income on assets when it is probable that the economic benefit associated will not continue to flow to the Bank. Interest income on all trading assets and financial assets mandatorily required to be measured at fair value through profit or loss is also recognised using the contractual interest rate in interest income.

Net fee and commission income
The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided in to the following three categories:

- Fee income earned from services that are provided over a certain period of time Fees earned for the provision of services are recognised as revenue as the services are provided. These fees include commission income and asset management fees, custody and other management and advisory fees.

- Fee income from providing financial services are earned on the execution of a significant act Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the lending transactions or other securities are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

- Fee income forming an integral part of the corresponding financial instrument fees that the Bank considers to be an integral part of the corresponding financial instruments include: loan origination fees, loan commitment fees for loans that are likely to be drawn down and

27. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (CONTD.)

other credit related fees. The recognition of these fees (together with any incremental costs) form an integral part of the corresponding financial instruments and are recognised as interest income through an adjustment to the EIR. The exception is, when it is unlikely that a loan will be drawn down, the loan commitment fees are recognised as revenue on expiry.

Dividend income
Dividend income is recognised when the Bank's right to receive the payment is established which is generally when the shareholders approve the dividend.

Net trading income
Results arising from trading activities include all gains and losses from changes in fair value.

Rental income
Rental income is recognised on a straight line basis.

Other income
Other income is recognised on an accrual basis.

South Asia Gateway Terminals (Pvt) Ltd
Stevedoring revenue
Stevedoring revenue is recognised at the berthing time of the vessel.

Storage revenue
Storage revenue is recognised on the issue of delivery advice.

South Asia Gateway Terminals (Pvt) Ltd uses United States Dollar (USD) as its functional currency.

Fairfirst Insurance Ltd
Revenue from insurance contracts
General insurance business-gross written premium
Gross written premiums (GWP) comprise the total premiums received/ receivable for the whole period of cover provided by contracts entered into during the accounting period. GWP is generally written upon inception of the policy. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross written premium.

Insurance contract liabilities - general
Non-life insurance contract liabilities include the outstanding claims provision (Reserve for gross outstanding and incurred but not reported, and incurred and not enough reported - IBNR/ IBNER) and the provision for unearned premium and the provision for premium deficiency.

28. NON CURRENT FINANCIAL ASSETS

		GROUP		COMPANY	
As at 31 March In Rs.'000s	Note	2023	2022	2023	2022
Other quoted equity investments		210	341	-	-
Other unquoted equity investments	28.1	70,996	133,408	37,158	87,563
Other non equity investments	28. 2	63,885,845	48,556,740	4,367,825	2,995,474
		63,957,051	48,690,489	4,404,983	3,083,037

28.1 Other unquoted equity investments

	GROUP			COMPANY		
As at 31 March In Rs.'000s	Number of shares	2023	2022	Number of shares	2023	2022
Asia Power (Pvt) Ltd	282,766	18,353	68,923	282,766	18,353	68,923
Other equity instruments	-	52,643	64,485	-	18,805	18,640
		70,996	133,408		37,158	87,563

28.2 Other non equity investments

As at 31 March In Rs.'000s	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Bank deposits		569,138	333,707	-	-
Debentures		9,185,289	9,553,315	-	-
Preference shares		-	373,701	-	-
Government securities		45,906,390	31,752,878	-	-
Deposits with non bank institutions		234,637	298,784	-	-
Loans to executives	28.3	1,260,602	1,048,842	151,987	66,659
Loans to life policyholders	28.4	2,199,675	1,952,394	-	-
Cash flow hedge		4,215,838	2,928,815	4,215,838	2,928,815
Asset backed securities		314,276	314,304	-	-
		63,885,845	48,556,740	4,367,825	2,995,474

28.3 Loans to executives

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	1,375,524	1,332,400	89,737	78,998
Loans granted / transfers	1,516,068	718,516	115,615	34,305
Recoveries	(1,274,724)	(675,392)	(32,599)	(23,566)
At the end of the year	1,616,868	1,375,524	172,753	89,737
Receivable within one year	356,266	326,682	20,766	23,078
Receivable between one and five years	1,260,602	1,048,842	151,987	66,659
	1,616,868	1,375,524	172,753	89,737

28.4 Loans to life policyholders

As at 31 March In Rs.'000s	GROUP 2023	 2022
At the beginning of the year	1,952,394	1,840,841
Loans granted / transfers	1,107,677	878,410
Recoveries	(860,396)	(766,857)
At the end of the year	2,199,675	1,952,394

29. OTHER NON CURRENT ASSETS

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Pre paid cost		602,238	282,339	125,931	119,755
Work-in-progress - Waterfront project	29.1	-	179,669,639	-	-
Non current advances		969,066	968,001	-	-
		1,571,304	180,919,979	125,931	119,755

29.1 Work-in-progress - Waterfront project

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022
Freehold property	-	19,345,604
Leasehold property	-	7,584,983
Other constructions in progress	-	152,739,052
	-	179,669,639

The construction work in progress of Waterfront Properties (Pvt) Ltd, has been transferred to the Property plant and equipment - work in progress. The balance represents Freehold Land, advance paid on obtained Lease Land, directly attributable cost incurred on the project and borrowing cost capitalised.

30. INVENTORIES

Accounting policy

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Raw materials - On a weighted average basis
- Finished goods and work-in-progress - At the cost of direct materials, direct labour and an appropriate proportion of fixed production overheads based on normal operating capacity but excluding borrowing costs
- Other inventories – At actual cost

During the year ended 31 March 2023, Rs.113 Mn (2022 - Rs.57 Mn) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales and other operating expenses.

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022
Inventories		
Raw materials	1,912,716	1,353,492
Finished goods	12,835,764	12,581,519
Produce stocks	491,670	241,284
Other stocks	3,435,980	3,028,486
Apartments and commercial space	20,418,384	19,020,106
	39,094,514	36,224,887

31. TRADE AND OTHER RECEIVABLES

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year, Rs.478 Mn (2022 - Rs.680 Mn) and Rs.0.6 Mn (2022 - Rs.0.9 Mn) for the Group and the Company respectively, was recognised as a provision for expected credit losses on trade receivables.

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Trade and other receivables		19,940,932	25,550,066	186,967	80,836
Reinsurance receivables		590,215	1,135,652	-	-
Premiums receivable		620,665	482,948	-	-
Loans to executives	28.3	356,266	326,682	20,766	23,078
		21,508,078	27,495,348	207,733	103,914

32. OTHER CURRENT ASSETS

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Prepayments and non cash receivables	12,533,737	9,539,625	1,669,156	802,463
Tax recoverable	2,036,715	2,374,836	26,479	14,141
	14,570,452	11,914,461	1,695,635	816,604

33. SHORT TERM INVESTMENTS

Short-term investments are liquid assets or cash, which are being held for a short period of time, with the primary purpose of controlling the tactical asset allocation.

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Quoted equities at market value	33.1	3,593,064	2,626,213	-	-
More than 3 months and less than 1 year					
Debentures		1,331,083	1,454,315	-	-
Bank deposits		28,228,305	3,201,549	27,525,841	510,067
Government securities		3,803,586	930,118	-	-
		36,956,038	8,212,195	27,525,841	510,067
Less than 3 months					
Debentures		322,606	-	-	-
Bank deposits		41,225,620	92,735,338	29,947,412	83,462,593
Government securities		3,717,558	9,774,011	-	-
Reported in statement of cash flows		45,265,784	102,509,349	29,947,412	83,462,593
		82,221,822	110,721,544	57,473,253	83,972,660

33. SHORT TERM INVESTMENTS (CONTD.)

33.1 Quoted equities at market value - Group

As at 31 March	Number of shares		Cost		Market value	
	2023	2022	2023 In Rs. '000s	2022 In Rs. '000s	2023 In Rs. '000s	2022 In Rs. '000s
Access Engineering PLC	504,769	474,129	8,105	11,320	7,168	7,112
Agstar PLC	12,726,104	-	224,993	-	142,532	-
Aitken Spence Hotel Holdings PLC	1,105,257	381,551	51,929	14,206	66,205	13,545
Aitken Spence PLC	2,684,367	2,227,985	285,761	186,785	351,652	164,202
Alumex PLC	9,440,274	-	77,455	-	77,410	-
BPPL Holdings PLC	-	229,804	-	4,854	-	4,527
Capital Alliance PLC	1,126,043	-	34,067	-	36,709	-
Ceylon Cold Stores PLC	974,844	94,600	36,212	6,375	38,994	3,680
Ceylon Tobacco Company PLC	307,316	195,932	250,799	190,646	209,205	112,906
Chevron Lubricants Lanka PLC	4,000	-	374	-	366	-
CIC Holdings PLC	6,161,257	371,596	497,655	24,569	413,328	14,158
Commercial Bank of Ceylon PLC	-	2,019,826	-	177,118	-	126,643
Dialog Axiata PLC	17,676,940	25,974,333	200,978	314,495	183,840	259,743
Distilleries Company of Sri Lanka PLC	2,623,258	-	54,557	-	51,416	-
Expo Lanka Holdings PLC	-	101,495	-	21,658	-	21,086
Hayleys Fabric PLC	3,367,985	4,719,190	109,239	160,047	84,874	137,328
Hatton National Bank PLC	2,917,710	1,465,124	339,427	202,510	377,843	160,065
Hela Apparel Holdings PLC	10,305,776	12,990,515	126,838	194,858	82,446	167,578
Hemas Holdings PLC	5,788,039	-	347,330	-	376,223	-
Hsenid Business Solutions PLC	3,365,679	1,403,217	56,207	17,540	49,812	25,258
John Keells Holdings PLC	1,224,949	5,527,500	157,387	696,856	171,493	801,488
John Keells Hotels PLC	6,785,692	3,332,244	81,748	30,262	128,250	38,987
Lanka IOC PLC	1,842,280	-	350,722	-	315,951	-
Lion Brewery (Ceylon) PLC	3,149	-	1,968	-	2,251	-
Pan Asia Banking Corporation PLC	1,145,638	-	16,268	-	14,320	-
Prime Lands Residencies PLC	2,007,801	-	14,441	-	16,062	-
Renuka Agri Foods PLC	-	12,565,759	-	86,568	-	45,237
Sampath Bank PLC	80,298	1,804,326	4,493	113,679	4,216	82,638
Singer Sri Lanka PLC	867,838	-	9,039	-	13,018	-
Sunshine Holdings PLC	3,076,136	980,762	113,216	37,901	138,426	35,896
Textured Jersey Lanka PLC	7,239,468	8,762,843	260,647	308,039	231,663	348,761
Tokyo Cement Company (Lanka) PLC	147,826	1,633,487	5,219	95,068	7,391	55,375
			3,717,074	2,895,354	3,593,064	2,626,213

Above list mainly comprises of the investments made by Union Assurance PLC (UA) under the unit linked equity tracker fund.

34. STATED CAPITAL AND OTHER COMPONENTS OF EQUITY

Accounting policy

The ordinary shares of John Keells Holdings PLC are quoted in the Colombo Stock Exchange and the Global Depository Receipts are listed on the Luxembourg Stock Exchange. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are eligible for one vote per share at General Meetings of the Company. The Group has in place an Employee Share Option Plan. Please refer Note 35 for further details.

34.1 Stated capital

As at 31 March	COMPANY			
	2023		2022	
	Number of shares In '000s	Value of shares In Rs.'000s	Number of shares In '000s	Value of shares In Rs.'000s
Fully paid ordinary shares				
At the beginning of the year	1,384,917	73,187,861	1,319,664	63,101,661
Share options exercised	-	-	211	37,209
Private placement of ordinary shares	-	-	65,042	10,048,991
At the end of the year	1,384,917	73,187,861	1,384,917	73,187,861

The number of shares in issue as at 31 March 2023 was 1,384,916,632 which include global depository receipts (GDRs) of 1,320,942 (2022 -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 35,295,775 shares (2022 - 36,788,659) have been reserved to be issued under the employee share option plan as at 31 March 2023.

Private placement of ordinary shares

The Company raised funds through a private placement of ordinary shares for Rs. equivalent of USD 80 million from the Asian Development Bank in two phases.

34.2 Other components of equity

As at 31 March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
Revaluation reserve	41,136,975	41,012,553	-	-
Foreign currency translation reserve	84,594,202	79,185,589	-	-
Other capital reserve	13,840,507	3,060,095	13,840,507	3,060,095
Restricted regulatory reserve	3,626,604	3,626,604	-	-
Cash flow hedge reserve	4,215,838	2,928,815	4,215,838	2,928,815
Fair value reserve of financial assets at FVOCI	(1,323,092)	(802,243)	(1,340)	21,171
	146,091,034	129,011,413	18,055,005	6,010,081

34. STATED CAPITAL AND OTHER COMPONENTS OF EQUITY (CONTD.)

The revaluation reserve consists of the net surplus on the revaluation of property, plant and equipment and present value of acquired in-force business (PVIB).

The foreign currency translation reserve comprises the net exchange movement arising from the currency translation of foreign operations and equity accounted investees into Sri Lankan rupees.

The other capital reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Restricted regulatory reserve

Union Assurance PLC (UA)

Based on the direction issued by the IRCSL dated 20 March 2018, and subsequent approval, UA has transferred Rs.3,382 Mn attributable to non-participating and non unit fund of unit linked business from the life policyholder fund to the life shareholder fund (SHF). The distribution of the one-off surplus to shareholders, held as part of the Restricted The regulatory Reserve, is subject to meeting governance requirements stipulated by the IRCSL and can only be released upon receiving approval from the IRCSL. The one-off surplus in the SHF is represented by government debt securities as per the direction of the IRCSL.

Nations Trust Bank PLC (NTB)

The statutory reserve fund is maintained as per the requirements in terms of Section 20 of the Banking Act No 30 of 1988. Accordingly, a sum equivalent to 5% of profit after tax transferred to the reserve fund until the reserve fund is equal to 50% of the Bank's Stated Capital. Thereafter, a further 2% of profits will be transferred until the said reserve fund is equal to the Bank's stated Capital.

Cash flow hedge reserve includes the fair value changes on the effective portion of interest rate swaps designated as cash flow hedges.

The fair value reserve of financial assets at FVOCI includes changes in fair value of financial instruments designated as financial assets at FVOCI.

35. SHARE-BASED PAYMENT PLANS

Accounting Policy

Employee share option plan - Equity-settled transactions

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The Group applies SLFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares from 1 April 2013 onwards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 19.2).

Employee share option scheme

Under the John Keells Group's Employees share option scheme (ESOP), share options of the parent are granted to executives of the Group generally with more than 12 months of service. The exercise price of the share options is equal to the 30 days volume weighted average market price of the underlying shares on the date of grant. The share options vest over a period of four years and is dependent on a performance criteria and a service criteria. The performance criteria being a minimum performance achievement of "Met Expectations" and service criteria being that the employee has to be in employment at the time the share options vest. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions upon which the share options were granted.

The contractual term for each option granted is five years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options.

For the year ended 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Share based payment expense during the year	274,062	204,618	78,989	61,117

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			
	2023		2022		2023		2022	
	No.	WAEP	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at the beginning of the year	36,788,659	149.01	38,047,143	150.06	12,088,237	150.18	12,771,300	150.82
Granted during the year	8,291,500	124.57	6,585,800	136.64	2,200,300	123.21	2,017,300	136.64
Transfers	-	-	-	-	(7,373)	154.10	-	-
Exercised during the year	-	-	(210,675)	137.28	-	-	-	-
Expired during the year	(9,784,384)	170.02	(7,633,609)	143.93	(3,569,388)	169.91	(2,700,363)	143.06
Outstanding at the end of the year	35,295,775	137.44	36,788,659	149.01	10,711,776	138.07	12,088,237	150.18
Exercisable at the end of the year	18,711,100	143.90	21,929,305	156.84	5,829,401	144.73	7,412,529	158.31

Accounting judgements, estimates and assumptions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the date at which they are granted. Estimating fair value for share-based payment transactions require determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome either.

The following information was used and results were generated using binomial model for ESOP.

As at 31 March	COMPANY				
	2023 Plan no 11 award 1	2022 Plan no 10 award 3	2021 Plan no 10 award 2	2020 Plan no 10 award 1	2019 Plan no 9 award 3
Dividend yield (%)	2.90	3.28	3.87	3.62	3.76
Expected volatility (%)	24.15	22.37	21.35	17.47	17.77
Risk free interest rate (%)	23.10	8.87	6.44	9.83	10.09
Expected life of share options (Years)	5	5	5	5	5
Weighted average share price at the grant date (Rs.)	119.85	132.63	134.74	138.70	154.10
Weighted average remaining contractual life for the share options outstanding (Years)	3	3	3	3	3
Weighted average fair value of options granted during the year (Rs.)	39.95	44.21	44.91	46.23	51.37
Exercise price for options outstanding at the end of the year (Rs.)	121.91	136.64	132.86	136.97	154.10
Exercise price for options outstanding at the end of the year (Rs.) (adjusted as at 31 March 2023)	121.91	136.64	132.86	136.97	154.14

36. INSURANCE CONTRACT LIABILITIES

Accounting policy

Insurance contract liabilities

The long term and unit linked insurance business provisions are based on the recommendation of the independent external actuary following annual valuation of the life insurance business. The actuarial valuation takes into account all liabilities, including contingent liabilities and is based on assumptions recommended by the actuary.

36.1 Insurance contract liabilities

As at 31 March In Rs.'000s	GROUP 2023	GROUP 2022
Insurance contract liabilities	58,381,193	50,939,495
Unclaimed benefits	526,117	409,828
	58,907,310	51,349,323

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 fund based yield of non participating insurance fund.

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 cash flows 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 - Insurance Contracts. The liability value is adjusted to the extent that it is sufficient 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. A number of valuation methods are applied, including discounted cash flows to the extent that the test involves discounting of cash flows, the interest rate applied based on management's prudent expectation of current market interest rates Any deficiency shall be recognised in the Income Statement by setting up a provision for liability adequacy.

Accounting judgements, estimates and assumptions

Product classification

SLFRS 4 requires contracts written by insurers to be classified as either insurance contracts or investment contracts depending on the level of insurance risk transferred.

Insurance contracts are contracts under which one party (the Insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Significant insurance risk exists if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction). The classification of contracts identifies both the insurance contracts that the company issues and reinsurance contracts that the company holds.

Contracts where the company does not assume a significant insurance risk is classified as investment contracts.

Investment contracts are those contracts that transfer significant financial risks and no significant insurance risks. Financial risk is the risk of a possible future change in one or more of a specified interest rates, financial instrument prices, commodity prices, foreign exchange rates, index of price or rates, credit ratings or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features.

Discretionary participating features (DPF)
DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that;

- are likely to be a significant portion of the total contractual benefits;
- the amount or timing of which is contractually at the discretion of the issuer; and contractually based on:
- The performance of a specified pool of contracts or a specified type of contract,
- Realised and or unrealised investment returns on a specified pool of assets held by the issuer, and
- The profit or loss of the company, fund or other entity that issues the contract.

Derivatives embedded in an insurance contract or an investment contract with DPF are separated and fair valued through the income statement unless the embedded derivative itself is an insurance contract or investment contract with DPF. The derivative is also not separated if the host insurance contract and / or investment contract with DPF is measured at fair value through the profit and loss.

IRCSL regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based (the DPF eligible surplus) and within which the company may exercise its discretion as to the quantum and timing of their payments to contract holders. At least 90% of the eligible surplus must be attributed to contract holders as a group (which can include future contract holders) and the amount and timing of the distribution to individual contract holders is at the discretion of the company, subject to the advice of the appointed actuary. All DPF liabilities including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance contract liabilities, as appropriate.

Valuation of life insurance contract liabilities
Long duration contract liabilities included in the life insurance fund, result primarily from traditional participating, non-participating life and universal life insurance products. Short duration contract liabilities are primarily group term. The actuarial reserves have been established based on the following;

- Non-participating liabilities and participating liabilities are discounted using their respective fund yield curves.
- 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.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapses, surrender rates and discount rates as further detailed in notes to the financial statements. 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.

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. During the last year, Sri Lankan economy was impacted by geopolitical and foreign exchange issues which introduced very high levels of volatility to the economic markets. As a result the interest rates increased a lot impacting the value of assets and also our expectations about future economic conditions. The fund based yield curves used in calculation of actuarial reserves have been derived using estimates of future economic conditions which still remains volatile and evolving in nature.

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.

Valuation of life insurance fund
The valuation of the conventional life insurance fund as at 31 December 2022 was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India (Pvt) Ltd and a sum of Rs.2,300 million was transferred from the conventional life insurance fund to the shareholders fund for the year 2022. Subsequent to the transfer the conventional life fund stood at Rs.55,180 million.

Similarly the non unit fund of linked long term business valuation was carried out by Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited and the non unit fund stood at Rs.251 million. In the opinion of the consultant actuary, the admissible assets of the conventional life insurance fund and the non unit fund of linked long term business as at 31 December 2022 is adequate to cover the liabilities of the funds.

As at 31 March 2023, an internal actuarial valuation has been carried out for the conventional life insurance fund and the non unit fund of linked long term business based on long-term assumptions, risk-free interest rate and yield which were increased during the latter half of the year. It is our opinion that the admissible assets are adequate to cover the liabilities of the funds.

One - off surplus arising from change in policy liability valuation
The one-off surplus comprises of Rs.432.5 Mn attributable to participating business and Rs.2.5 Mn attributable to unit linked fund and Rs.3,382 Mn attributable to non-participating and non-unit fund of unit linked business.

Based on the directions issued by the IRCSL dated 20 March 2018 and subsequent approval, the Company has transferred Rs.3,382 Mn attributable to non - participating and non-unit fund of unit linked business from life policyholder fund through Income Statement to life shareholder fund and held as part of the Restricted Regulatory Reserve under equity in the statement of financial position.

One - off Surplus was determined as the difference between the NPV solvency basis liability and the GPV distribution basis liability as of 31 December 2015. This is calculated for Participating and other than participating funds, separately. Above basis is in line with the 'Minimum One - off Surplus' calculation basis provided in the IRCSL guideline.

36. INSURANCE CONTRACT LIABILITIES (CONTD.)

Movement in Life Insurance fund

As at 31 December In Rs.'000s	2022	2021
Conventional life insurance fund		
Balance as at 1 January	48,748,971	41,826,947
Charge relating to Surcharge Tax	(39,195)	-
Balance as at 1 January (Adjusted)	48,709,776	41,826,947
Increase in life insurance fund before surplus transfer to share holders	8,722,945	8,525,435
Transfer to shareholders	(2,300,000)	(1,600,000)
Effect of taxation on surplus/bonus transferred to policyholders	(6,761)	(27,162)
Net change in unclaimed benefits	53,829	23,751
Balance as at 31 December	55,179,789	48,748,971
Non unit fund of linked life insurance contracts		
Balance as at 1 January	169,176	54,710
Increase in non unit fund of linked life insurance before surplus transfer to share holders	48,827	53,173
Transfer to shareholders	-	-
Net change in unclaimed benefits	33,101	61,293
Balance as at 31 December	251,104	169,176
	55,430,893	48,918,147

Liability adequacy test (LAT) - Life insurance contract liabilities

As at 31 December 2022, liability adequacy test was performed by the appointed actuary Mr. Vivek Jalan FIA, FIAI of Willis Towers Watson India Private Limited who concluded that, the liability value is sufficient to meet future benefits and expenses. Hence, no provision was required to be made for any premium deficiency.

36.2 Change in life insurance contract liabilities

The results of Union Assurance PLC's (UA) life business segment is consolidated into the Group's Consolidated Income Statement. The change in life insurance contract liabilities represents the transfer to the Life Fund, the difference between all income and expenditure attributable to life policy holders during the year.

SUMMARISED FINANCIAL INFORMATION

For the year ended 31 March In Rs.'000s	2023	2022
Total Revenue	15,952,535	15,225,571
Cost of sales	(9,172,168)	(7,829,465)
Gross profit	6,780,367	7,396,106
Operating expenses including distribution and administration expenses	(5,341,994)	(4,377,144)
Net finance income	8,923,960	5,281,652
Profit attributable to shareholders of UA	(2,712,101)	(1,884,315)
Change in insurance contract liabilities	7,650,232	6,416,299

Union Assurance PLC follows a risk mitigation approach for inherent uncertainty regarding the occurrence, amount or timing of insurance contract liabilities.

The following table describes headline risks and responses.

Headline risk	Risk response
Investment return on underlying items failing below guaranteed minimum rates	Management discretion to determine amount and timing of policy holders bonuses (within limits)
Insufficient fees to cover cost of guarantees and expenses	Hedging programme
Differences in duration and yield of assets and liabilities	· Matching of assets and liabilities cash flows · Investing in investment grade assets
Policy holder behavioural risk	Surrender penalty

37. INTEREST-BEARING LOANS AND BORROWINGS

37.1 Movement

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	199,546,346	128,473,113	67,197,027	47,186,858
Cash movement				
Loans obtained	2,077,091	53,876,802	-	3,000,000
Repayments	(45,034,878)	(34,946,688)	(1,837,500)	(1,474,806)
Non cash movement				
Accrued Interest	1,565,807	948,393	590,611	134,057
Exchange differences	14,463,952	51,194,726	4,302,577	18,350,918
At the end of the year	172,618,318	199,546,346	70,252,715	67,197,027
Repayable within one year	12,839,426	40,624,448	3,344,997	2,562,994
Repayable after one year	159,778,892	158,921,898	66,907,718	64,634,033
	172,618,318	199,546,346	70,252,715	67,197,027

37.2 Security and repayment terms

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2023 In Rs.'000s	2022 In Rs.'000s
COMPANY					
John Keells Holdings PLC	Fixed rate	28 quarterly installments commencing from December 2020	-	4,275,000	5,201,085
	Fixed rate	60 monthly installments commencing from December 2020	-	4,875,000	5,550,000
	Fixed rate 6-month LIBOR plus margin* (on separate components of the loan)	12 semi annual installments commencing from December 2024 after 4 years grace period	Freehold land held under Vauxhall Land Developments (Pvt) Ltd (VLD), pledge of shares held by the Group in Ceylon Cold Stores PLC and Union Assurance PLC, and identified liquid assets.	58,477,715	53,558,442
	Fixed rate	60 monthly installments commencing from June 2021	-	2,625,000	2,887,500
				70,252,715	67,197,027

37. INTEREST-BEARING LOANS AND BORROWINGS (CONTD.)

37.2 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2023 In Rs.'000s	2022 In Rs.'000s
GROUP COMPANIES					
Asian Hotels and Properties PLC	Fixed rate	17 monthly installments commencing from May 2021 after 6 months grace period	-	-	50,000
	Fixed rate	36 monthly installments commencing from September 2021 after 6 months grace period	-	211,522	200,000
	AWPLR plus margin	Short term revolving loan to be settled within 180 days	-	-	452,000
Beruwala Holiday Resorts (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	208,022	334,294
Ceylon Cold Stores PLC	Fixed rate	48 monthly installments with one year grace period	-	329,203	372,298
Ceylon Holiday Resorts Ltd	Fixed rate	48 monthly installments commencing from January 2023 after 12 months grace period	Letter of Comfort from John Keells Holdings PLC	591,120	602,349
	Fixed for the first 5 years and 1 month AWPLR plus margin for the next 5 years	102 monthly installments commencing from August 2022 after 18 months grace period	Rs.3 Bn Corporate Guarantee from John Keells Hotels PLC	3,033,912	3,063,305
Cinnamon Hotel Management Ltd	Fixed rate	15 monthly installments commencing from April 2021	-	-	4,800
Fantasea World Investments (Pte) Ltd	3 months SOFR plus margin	22 quarterly installments commencing from December 2018 after 18 months grace period	Leasehold rights of Island of Cinnamon Hakuraa Huraa.	5,049,917	5,739,490
Habarana Walk Inn Ltd	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.12.7 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	5,966	13,138
Habarana Lodge Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	40,180	59,085
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.37.9 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	17,838	39,965
Hikkaduwa Holiday Resorts (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	109,013	249,659
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.18.9 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	8,892	19,921
	Fixed rate	72 monthly installments commencing from July 2022 after 12 months grace period	Rs.540 Mn Corporate Guarantee from John Keells Hotels PLC	534,117	560,359
John Keells Properties Ja-Ela (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from December 2016	General terms and conditions for Rs.450 Mn signed relating to the term loan	68,500	145,041
John Keells Information Technology (Pvt) Ltd	Fixed rate	18 monthly installments commencing from April 2021	-	-	4,000

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2023 In Rs.'000s	2022 In Rs.'000s
John Keells Logistics (Pvt) Ltd	Fixed rate	24 monthly installments commencing from April 2021	-	199,760	4,000
John Keells Hotels PLC	Fixed rate	15 monthly installments commencing from June 2021 after 9 months grace period	Letter of undertaking from John Keells Hotels PLC	-	1,421
	Fixed for the first 3 years and 1 month AWPLR plus margin for the next 4 years	10 bi-annual installments commencing from June 2023 after 24 months grace period	Letter of Comfort from John Keells Holdings PLC	1,199,755	1,104,926
Jaykay Marketing Services (Pvt) Ltd	Fixed rate	20 quarterly installments commencing from March 2021	-	2,200,000	3,000,000
	Fixed rate	20 quarterly installments commencing from May 2021	-	1,200,000	1,600,000
	Fixed rate	Repayment on maturity	-	2,000,000	2,000,000
Keells Food Products PLC	1 month COF plus margin	60 monthly installments commencing from February 2019	-	42,213	85,668
Kandy Walk Inn Ltd	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.26.6 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	12,509	28,064
Logipark International (Pvt) Ltd	1 month COF plus margin	15 quarterly installments after 1 year grace period	Mortgage over the property	3,291,305	2,980,000
Mack Air (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	2,000	10,000
Mack International Freight (Pvt) Ltd	Fixed rate	15 monthly installments commencing after 9 months grace period	-	-	3,333
Rajawella Holdings Ltd	1 month COF plus margin	60 monthly installments commencing from April 2020 after 1 year grace period	-	236,242	393,340
The Colombo Ice Company (Pvt) Ltd	1 month COF plus margin	60 monthly installments commencing from March 2017 after 1 year grace period	Rs.773 Mn Corporate Guarantee from Ceylon Cold Stores PLC	248,162	534,722
Trans Asia Hotels PLC	1 month LIBOR plus margin	24 Monthly installments commencing from January 2023	-	213,987	-
		5 quarterly installments commencing from March 2021	-	-	228,750
Tranquility (Pte) Ltd	3 months SOFR plus margin	16 quarterly installments after 12 months grace period commencing from September 2019 and grace period of 12 months from March 2020 to February 2021	Leasehold right on the Island of Kanuoiy Huraa in Kaafu (Male')	6,597,250	8,084,940
Trinco Holiday Resorts (Pvt) Ltd	AWPLR plus margin	13 monthly installments commencing from July 2022 after 12 months grace period	Letter of Comfort from John Keells Hotels PLC	61,267	100,328
	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	47,036	69,172
	Fixed rate	18 monthly installments from July 2022 after 6 months grace period	Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	8,686	19,504

37. INTEREST-BEARING LOANS AND BORROWINGS (CONTD.)
37.2 Security and repayment terms (Contd.)

As at 31 March	Nominal Interest rate	Repayment terms	Assets Pledged and Collaterals	2023 In Rs.'000s	2022 In Rs.'000s
Waterfront Properties (Pvt) Ltd	3 month LIBOR plus margin	5-year loan with a 2-year grace period and back-ended capital payments.	WPL's assets (other than the residential and office buildings), Sponsor support undertaking by JKH, Pledge of 14.5 Bn shares held by JKH in WPL	74,330,204	68,734,525
	Market standard margin over interest rate on collateral	Repayment on maturity, June 2022	Pledged fixed deposits of John Keells Holdings PLC with a security cover of 1.1 times	-	31,012,451
Walkers Tours Ltd	Fixed rate	23 monthly installments commencing from September 2021 after 6 months grace period	-	164,360	273,607
Whittal Boustead (Travel) Ltd	364-days Treasury Bills rate plus margin	24 monthly installments commencing from March 2021 after a 6 months grace period	-	62,454	103,971
Yala Village (Pvt) Ltd	1 month SOFR plus margin	23 monthly installments commencing from August 2022	-	10,070	22,567
	Fixed rate	18 monthly installments commencing from July 2022 after 6 months grace period	Rs.21.4 Mn Corporate Guarantee from John Keells Hotels PLC and Letter of Comfort from John Keells Holdings PLC	30,142	44,326
				172,618,318	199,546,346

* To be transitioned to 6-month SOFR plus margin and credit spread from December 2023.

38. EMPLOYEE BENEFIT LIABILITIES

Accounting Policy

Employee contribution plans - EPF/ETF

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively, which are externally funded.

Employee defined benefit plan - gratuity

The liability recognised in the statement of financial position is the present value of the defined benefit obligation as at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The obligation is not externally funded.

Other long term employee benefit

A new Long-Term Incentive Plan (LTI) has been launched in 2018/19 for senior employees of the Group. The overall incentive was to 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.

The management has decided to cease the LTI plan due to failure in achieving overall key performance indicators linked to the five-year strategic plan by some business units. Therefore, respective provisions have been reversed in the current financial year.

38.1 Employee benefit liabilities

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Employee defined benefit plan - gratuity	38.2	2,513,093	2,439,021	219,756	146,903
Other long term employee benefit	38.3	46,539	667,596	-	151,066
At the end of the year		2,559,632	3,106,617	219,756	297,969

38.2 Employee defined benefit plan - gratuity

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	2,439,021	2,330,114	146,903	123,194
Current service cost	222,064	241,043	15,205	11,678
Past service cost	-	(15,538)	-	(1,092)
Transfers	-	-	-	891
Interest cost on benefit obligation	203,311	174,945	12,421	11,088
Payments	(267,819)	(269,012)	(3,886)	(2,666)
(Gain)/Loss arising from changes in assumptions	(81,295)	(24,720)	49,113	3,810
Exchange differences	(2,189)	2,189	-	-
At the end of the year	2,513,093	2,439,021	219,756	146,903
The expenses are recognised in the income statement in the following line items;				
Cost of sales	183,435	165,036	3,543	3,591
Selling and distribution expenses	28,954	34,795	-	-
Administrative expenses	212,986	200,619	24,083	18,083
	425,375	400,450	27,626	21,674

38.3 Other long term employee benefits

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
At the beginning of the year	667,596	483,892	151,006	108,175
Current service cost	(674,465)	152,048	(163,086)	35,290
Interest cost	53,408	31,656	12,080	7,601
At the end of the year	46,539	667,596	-	151,066

Accounting judgements, estimates and assumptions
Employee benefit liability - gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations are involve in making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Under the Minimum Retirement Age of Workers Act No 28 of 2021, retirement benefit plan of the Group and the Company was amended due to the increase in retirement age.

The Management tested several scenarios based calculations on possible changes of the assumptions due to the prevailing macroeconomic conditions. Based on those calculations, the management has concluded that there is no material impact to retirement benefit obligation liability of the Group.

The principal assumptions used in determining the cost of employee benefits were:

For the year ended 31 March In Rs.'000s	2023	2022
Discount rate	18.00% -19.00%	8.00% -10.00%
Future salary increases	11.00%-15.00%	7.00% -9.00%

The adjusted treasury bond rate for the credit spread has been used as the discounted rate.

38. EMPLOYEE BENEFIT LIABILITIES (CONTD.)

38.4 Sensitivity of assumptions used

A percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity.

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Discount rate:				
1% Increase	(104,429)	(117,176)	(6,849)	(5,798)
1% Decrease	91,414	113,434	7,311	6,281
Salary Increment rate:				
1% Increase	100,305	118,799	7,899	6,541
1% Decrease	(114,064)	(124,005)	(7,504)	(6,141)

38.5 Maturity analysis of the payments

The following payments are expected on employee benefit plan - gratuity in future years.

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Within the next 12 months	151,479	113,775	-	-
Between 1 and 2 years	236,076	228,446	18,323	13,253
Between 2 and 5 years	1,042,794	943,957	176,201	90,660
Between 5 and 10 years	1,009,765	965,951	25,232	42,990
Beyond 10 years	72,979	186,892	-	-
Total expected payments	2,513,093	2,439,021	219,756	146,903
Weighted average duration (years) of defined benefit obligation	6.72	7.97	4.93	5.18

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 liabilities of the Waterfront integrated resort project.

As at 31 March In Rs.'000s	Note	GROUP 2023	 2022	COMPANY 2023	 2022
Construction retention		1,726,877	2,413,880	-	-
Convertible debentures	39.1	18,380,148	-	18,380,148	-
		20,107,025	2,413,880	18,380,148	-

39.1 Issue of unlisted convertible debentures to HWIC Asia Fund, a subsidiary of Fairfax Financial Holdings Ltd

The Company raised foreign direct investments of Rs.27.06 billion through a private placement of unrated, unlisted, unsecured convertible debentures on 12 August 2022 at an issue price of Rs.130 per debenture to certain controlled affiliates (subsidiaries) of Fairfax Financial Holdings Limited. The date of maturity of the debentures is 12 August 2025 with HWIC having the option to convert each debenture to one new ordinary share of the Company during the conversion period from 12 February 2024 to 12 August 2025. .As per the SLFRS 9 Financial Instruments, the convertible debentures were contrasted against an equivalent plain debenture in order to segregate the liability and equity components associated with the transaction.

40. OTHER NON CURRENT LIABILITIES

Accounting policy

Group classifies all non-financial non current liabilities under other non current liabilities which include non refundable advances and deposits.

As at 31 March In Rs.'000s	GROUP 2023	 2022
Contract liabilities	158,640	73,760
Deposits	103,366	96,183
Other deferred liabilities	24,230	50,260
	286,236	220,203

41. TRADE AND OTHER PAYABLES

Accounting policy

Trade payables are the aggregate amount of obligations to pay for goods or services, that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year.

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Trade and other payables	28,570,126	41,822,593	631,405	566,252
Contract liabilities	186,264	123,166	-	-
Reinsurance payables	626,885	1,219,314	-	-
Advances and deposits	483,007	304,334	-	-
	29,866,282	43,469,407	631,405	566,252

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.

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Bank borrowings	8,701,652	14,833,056	1,300,000	2,000,000
	8,701,652	14,833,056	1,300,000	2,000,000

43. OTHER CURRENT LIABILITIES

Accounting policy

The Group classifies all non-financial current liabilities under other current liabilities.

As at 31 March In Rs.'000s	GROUP 2023	 2022	COMPANY 2023	 2022
Non refundable deposits	705,403	627,277	-	-
Contract liabilities	2,016,418	2,093,394	-	-
Other tax payables	2,469,758	1,559,716	17,811	-
	5,191,579	4,280,387	17,811	-

44. RELATED PARTY TRANSACTIONS

Terms and conditions of transactions with related parties

The Group and the Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiaries, joint venture and associate companies have been disclosed in the Group Directory under the Supplementary Information section of the Annual Report.

Governance structure, nature of the entity's relationships, principal place of business and the country of incorporation have been disclosed in the corporate governance section and Group directory.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the company as per 31 March 2022 audited financial statements, which required additional disclosures in the 2022/2023 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 2022 audited financial Statements, which required additional disclosures in the 2022/2023 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

44.1 Amounts due from related parties

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Subsidiaries	44.5	-	-	938,444	531,375
Equity accounted investees		317,700	196,394	239,172	129,324
Key management personnel		-	-	-	-
		317,700	196,394	1,177,616	660,699

44.2 Amounts due to related parties

As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Subsidiaries	44.6	-	-	58,244	20,912
Equity accounted investees		3,615	1,818	-	-
Key management personnel		-	-	-	-
		3,615	1,818	58,244	20,912

44.3 Transactions with related parties

For the year ended/As at 31 March In Rs.'000s	Note	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Subsidiaries					
Purchases of goods		-	-	17,865	6,540
Rendering of services	44.5	-	-	1,788,455	1,411,346
Receiving of services	44.6	-	-	624,506	433,074
Rent paid		-	-	34,867	31,611
Dividend received		-	-	4,697,143	4,194,492
Equity accounted investees					
Sale of goods		18,861	9,567	-	-
Rendering of services	44.5	1,243,441	693,777	759,450	461,150
Receiving of services		311,256	199,477	88	115
Interest received	44.4	1,096,370	160,859	1,066,417	96,108
Interest paid	44.4	150,068	45,081	7,991	3
Loans received		-	1,000,000	-	-
Dividend received		-	-	5,937,857	3,813,157
Key management personnel (KMP)					
Sale of goods		-	-	-	-
Close family members of KMP					
Sale of goods		-	-	-	-
Companies controlled / jointly controlled / significantly					
Influenced by KMP and their close family members					
Rendering of services		1,548	5,037	-	-
Receiving of services		37,151	14,374	-	-
Post employment benefit plan					
Contributions to the provident fund		338,801	287,558	91,504	70,256

44.4 Transactions with related parties - Associates

For the year ended In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Nations Trust Bank PLC				
Interest received	1,096,370	160,859	1,066,417	96,108
Interest paid	150,068	45,081	7,991	3

The Group held interest bearing deposits of Rs.16,092 Mn (2022 - Rs.4,658 Mn) at Nations Trust Bank PLC as at 31 March 2023.

44. RELATED PARTY TRANSACTIONS (CONTD.)

44.5 Related party transactions and balances

	COMPANY			
	Rendering of services		Amounts due from	
For the year ended/As at 31 March In Rs.'000s	2023	2022	2023	2022
Subsidiaries				
Asian Hotels and Properties PLC	65,000	59,879	8,653	2,229
Beruwala Holiday Resorts (Pvt) Ltd	15,816	13,894	1,973	1,324
Ceylon Cold Stores PLC	238,372	162,211	446,895	38,777
Ceylon Holiday Resorts Ltd	16,016	13,389	1,929	1,227
Cinnamon Hotel Management Ltd	79,973	62,927	22,321	7,005
Fantasea World Investments (Pte) Ltd	8,096	5,967	855	572
Habarana Lodge Ltd	13,322	11,576	1,579	1,119
Habarana Walk Inn Ltd	10,444	9,438	1,268	886
Hikkaduwa Holiday Resorts (Pvt) Ltd	13,288	11,438	1,643	1,077
Infomate (Pvt) Ltd	82,096	52,426	28,120	9,207
JayKay Marketing Services (Pvt) Ltd	518,560	407,653	204,090	363,075
John Keells Information Technology (Pvt) Ltd	91,625	74,360	39,038	-
John Keells International (Pvt) Ltd	7,886	6,330	8,497	-
John Keells Logistics (Pvt) Ltd	40,718	41,892	48,176	16,124
John Keells Maldivian Resorts (Pte) Ltd	4,356	4,042	531	352
John Keells Office Automation (Pvt) Ltd	42,348	37,875	31,906	17,478
John Keells PLC	21,897	18,343	2,426	-
John Keells Stock Brokers (Pvt) Ltd	13,870	12,131	13	-
John Keells Teas Ltd	2,737	2,654	1,548	591
John Keells Warehousing (Pvt) Ltd	3,917	3,514	313	331
Kandy Walk Inn Ltd	12,584	11,109	1,478	969
Keells Consultants (Pvt) Ltd	4,852	4,131	1,347	-
Keells Food Products PLC	50,619	43,439	4,767	4,029
Lanka Marine Services Ltd	19,936	16,691	2,293	3,599
Mack Air (Pvt) Ltd	14,825	13,608	-	-
Mackinnons Keells Ltd	2,217	1,848	209	-
Mackinnons Travels (Pvt) Ltd	9,108	7,323	2,073	-
Rajawella Holdings Ltd	10,130	7,396	5,401	1,384
Tea Small Holder Factories PLC	4,289	2,776	1,230	11,550
The Colombo Ice Company (Pvt) Ltd	18,958	15,377	-	1,602
Tranquility (Pte) Ltd	10,547	13,205	1,820	1,267
Trans Asia Hotels PLC	45,785	41,694	7,741	227
Travel Club (Pte) Ltd	7,626	6,039	782	577
Trinco Holiday Resorts (Pvt) Ltd	10,600	9,152	1,312	848
Union Assurance PLC	103,778	85,098	15,094	8,939
Walkers Tours Ltd	37,410	31,807	5,017	2,272
Waterfront Properties (Pvt) Ltd	39,623	21,670	8,064	16,866
Whittall Boustead (Pvt) Ltd	32,592	26,931	6,671	1,883
Whittall Boustead (Travel) Ltd	9,310	7,543	830	1,677
Yala Village (Pvt) Ltd	11,642	9,428	1,307	870
Other subsidiaries	41,690	23,142	19,163	11,442
	1,788,455	1,411,346	938,444	531,375

For the year ended/As at 31 March In Rs.'000s	COMPANY Rendering of services 2023	 2022	 Amounts due from 2023	 2022
Joint ventures				
DHL Keells (Pvt) Ltd	718,950	441,876	167,528	118,325
Braybrooke Residential Properties (Pvt) Ltd	1,168	736	400	105
Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd	834	544	127	703
Sentinel Reality (Pvt) Ltd	-	-	1	-
Associates				
Fairfirst Insurance Ltd	-	-	-	318
Nations Trust Bank PLC	-	-	1,899	1,559
Saffron Aviation (Pvt) Ltd	3,776	3,172	5,077	377
South Asia Gateway Terminals (Pvt) Ltd	10,461	5,315	2,542	6,990
Capital Hotel Holdings (Pvt) Ltd	11,337	9,507	1,656	938
Colombo West International Terminal (Pvt) Ltd	12,924	-	59,942	-
	759,450	461,150	239,172	129,324

44.6 Related party transactions and balances

For the year ended/As at 31 March In Rs.'000s	COMPANY Receiving of services 2023	 2022	 Amounts due to 2023	 2022
Subsidiaries				
Asian Hotels and Properties PLC	15,315	192	7,563	-
Infomate (Pvt) Ltd	8,435	5,890	3,356	-
Trans Asia Hotels PLC	6,890	-	-	-
John Keells Information Technologies (Pvt) Ltd	492,765	399,598	23,327	3,676
John Keells Singapore (Pte) Ltd	40,285	13,621	-	2,818
Mackinnons Travels (Pvt) Ltd	44,596	-	-	-
Whittall Boustead (Pvt) Ltd	10,055	8,916	-	-
Other subsidiaries	14,787	4,857	23,998	14,418
	624,506	433,074	58,244	20,912
Joint ventures				
DHL Keells (Pvt) Ltd	88	115	-	-
	88	115	-	-

Details of inter-company assets pledged and given as collateral for loans and borrowings can be found in Interest-bearing loans and borrowings Note 37.2 in the financial statements.

44. RELATED PARTY TRANSACTIONS (CONTD.)

44.7 Compensation of key management personnel

Key management personnel include members of the Board of Directors of John Keells Holdings PLC and its subsidiary companies.

For the year ended 31 March In Rs.'000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Short-term employee benefits	691,809	436,828	215,819	122,198
Post employment benefits	13,189	8,227	4,560	2,589
Share based payments	114,361	69,532	38,016	28,385
	819,359	514,587	258,395	153,172

Directors' interest in the employee share option plan of the Company

As at 31 March 2023, the executive members of the Board of Directors held options to purchase ordinary shares under the employee share option plan as follows;

	COMPANY				
	2023			2022	
Expiry date	Adjusted exercise price Rs.	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period	Number of shares outstanding at the end of period	Number of shares exercisable at the end of period
02.07.2022	173.30	-	-	725,000	725,000
21.06.2023	154.10	880,000	880,000	880,000	660,000
30.06.2024	136.97	880,000	660,000	880,000	440,000
30.06.2025	132.86	880,000	440,000	880,000	220,000
30.06.2026	136.64	880,000	220,000	880,000	-
30.06.2027	121.91	880,000	-	-	-

No share options have been granted to the non-executive members of the Board of Directors under the employee share option plan.

OTHER DISCLOSURES

45. CONTINGENT LIABILITIES

Accounting policy

Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of: the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (SLFRS 15). Contingent assets are disclosed, where inflow of economic benefit is probable.

The contingent liabilities of the Company and the Group as at 31 March 2023, relates to the following:

JOHN KEELLS HOLDINGS PLC (JKH)

The contingent liability of the Company as at 31 March 2023, relates to the following:

Income tax assessment relating to year of assessment 2006/7.

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 2023, is estimated at Rs.54 Mn.

CEYLON COLD STORES PLC (CCS)

The contingent liability of CCS as at 31 March 2023, relates to the Following:

Income tax assessments relating to years of assessment 2011/12 to 2013/14.

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 2023 is estimated at Rs.36.5 Mn.

LANKA MARINE SERVICES (PVT) LTD (LMS)

The contingent liability of LMS as at 31 March 2023, 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 year of assessment 2001/2, 2007/8, 2008/9 and 2011/12

The company has appealed against the assessments on the grounds that the sale of bunker to foreign-going ships is an export, which is liable to concessionary rates of taxes, but this has been disputed by the Department of Inland Revenue (IRD). The Court of Appeal varied the terms on which TAC/Board of Review (BOR) determined the matter but affirmed the decision by the BOR/TAC which was in favour of the IRD. The company has lodged an appeal to the Supreme Court, and having considered the matter, the Supreme Court has granted leave to proceed.

Income tax assessment relating to years of assessment from 2009/10, 2010/11, 2012/13 to 2018/19. 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 2023, is estimated at Rs.1,293 Mn.

MACKINNONS TRAVELS (PVT) LTD (MTL)

The contingent liability of MTL as at 31 March 2023, relates to the Following:

Value Added Tax assessments relating to the periods from 1 April 2009 to 31 March 2011 and 1 January 2017 to 30 November 2019.

The company has lodged appeals against the assessments and is contesting these under appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2023 is estimated at Rs.108 Mn.

CINNAMON HOTEL MANAGEMENT LTD (CHML)

The contingent liability of CHML as at 31 March 2023, relates to the following:

Income tax assessment relating to years of assessment 2018/19.

The company has lodged an appeal against the assessment 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 2023 is estimated at Rs.26.4 Mn.

TRANS ASIA HOTELS PLC (TAH)
The contingent liability of TAH as at 31 March 2023, relates to the following:

Income tax assessments relating to years of assessments 2012/13 to 2017/18.

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 2023 is estimated at Rs.192.1 Mn.

UNION ASSURANCE PLC (UA)
The contingent liability of UA as at 31 March 2023, relates to the following:

Value Added Tax assessments relating to the periods from 1 April 2016 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 at 31 March 2023, is estimated at Rs.13.9 Mn.

Financial Services VAT and NBT assessments relating to the periods from 1 January 2016 to 31 December 2018.

The company has lodged appeals against the assessments and is contesting these under appellate procedure. Having discussed with independent legal and tax experts and based on information available, the contingent liability as at 31 March 2023, is estimated at Rs.643 Mn.

Income Tax Assessments received for years of assessments 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, 2015/16,2016/17, 2017/18 and 2018/19.

The assessments were raised for the above years of assessments by making life insurance income liable to pay income taxes of Rs.13 Mn, Rs.132 Mn, Rs.411 Mn, Rs.175 Mn, Rs.887 Mn, Rs.832 Mn, Rs.472 Mn, Rs.749 Mn and Rs.701 Mn respectively. The company has lodged valid appeals against the assessments raised and is contesting these under the appellate procedure.

Having discussed with independent legal and tax experts and based on information available, the Directors are of the view that the company has followed due process and acted in accordance with the prevailing laws in its tax submissions for years of assessment from 2010/11 to 2017/18 and accordingly have concluded that the above assessments have no rationale or basis in law.

46. CAPITAL AND OTHER COMMITMENTS

As at 31 March In Rs.'000s	GROUP		COMPANY	
	2023	2022	2023	2022
Capital commitments approved but not provided for	18,685,499	28,418,998	-	-
Guarantees	3,301,937	3,267,348	2,620,621	1,947,000
	21,987,436	31,686,346	2,620,621	1,947,000

47. ASSETS PLEDGED

Assets pledged for facilities obtained are given in Note 37.2 to the financial statements.

48. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Company has declared a final dividend of Rs.0.50 per share for the financial year ended 31 March 2023. As required by section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with section 57 of the Companies Act No.07 of 2007, and has obtained a certificate from auditors, prior to declaring a final dividend which is to be paid on or before 21 June 2023.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2023.

EVOLVING

SUPPLEMENTARY INFORMATION

HISTORY OF THE JOHN KEELLS GROUP

1870-1970

1870 – Two English brothers, George and Edwin John set up E. John & Co, a firm of produce and exchange brokers.

1948 –Merged with two other London based tea brokers, thereby evolving into a private liability company by the name of E. John, Thompson, White & Company Ltd.

1960 – Amalgamated with Keell and Waldock Ltd, another long-established produce, share and freight broking company. The company changed its name to John Keell Thompson White Ltd.

1971-1990

1973 – Acquired Walkers Tours and Travels (Ceylon) Ltd, a leading inbound tour operator.

1974 – The firm became a Rupee quoted public company, with its name changed to John Keells Ltd.

1986 – A newly incorporated John Keells Holdings (JKH) acquired a controlling stake in John Keells Limited and obtained a quotation on the Colombo Stock Exchange (CSE) amidst a heavily over-subscribed public share issue.

1991-2000

1991 – Acquired the Whittalls Group of Companies, thereby gaining control of Ceylon Cold Stores, Ceylon Holiday Resorts, and Union Assurance. The acquisition was one of the largest deals of the time.

1994 – JKH became the first Sri Lankan company to obtain a listing overseas, by way of issuing Global Depository Receipts (GDRs) on the Luxembourg Stock Exchange.

1996 – Velidhu Resort Hotel, an 80-roomed island resort in the Maldives, was acquired. This marked the Group's first major investment overseas.

1999 – Nations Trust Bank (NTB) was established, through a joint venture with the International Finance Corporation (IFC) and Central Finance Co. Ltd. The South Asia Gateway Terminal (SAGT) commenced operations at the Port of Colombo.

2000 – JKH became the first Sri Lankan company to obtain the SL-AAA credit rating from Fitch Ratings.

2001-2007

2003 – JKH acquired Asian Hotels and Properties, thereby gaining control of 40% of the 5-star room capacity in Colombo.

2004 – John Keells Hotels Limited (KHL) was created as a holding company for all Group resorts. The Group's CSR arm, the John Keells Social Responsibility Foundation was established as a non-profit organisation.

2005 – The Group launched its hotel brand 'Cinnamon Hotels & Resorts'. JKH entered into an MoU to develop a third resort in the Maldives. Keells Plantations was divested, marking the Group's exit from the ownership of plantations. JKH also entered into the BPO space through a joint venture with Raman Roy Associates.

2006 – The Group acquired a lease on Dhonveli Beach and Spa and Ellaidhoo Tourist Resort in the Maldives. The Group also increased its stake in SAGT by 8% to 34%. 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% in SAGT and also increased stakes in UA, CCS, JKL and KFPL.

2009 - JKH's market capitalisation surpassed USD 1 billion.

2010 - The head lease of Alidhoo Island was divested while the head lease of Dhonveli Island was acquired for a period of 18 years. Construction of 'OnThree20', a 475-unit apartment complex in the heart of Colombo commenced. JKH increased its stake in UA to 95.6%.

2011-2014

2011/12 - 'The Emperor' apartment project at Crescat City, Colombo reached completion.

2012/13 - 'Cinnamon Bey', a 200 room five-star resort was launched. 'K-Zone', a 140,000 sq. ft. mall was opened in Ja-Ela, Colombo. Keells Food Products PLC and Union Assurance PLC successfully raised Rs. 1.2 billion and Rs. 720 million respectively, via rights issues.

2013/14 - The market capitalisation of JKH exceeded USD 2 billion for the first time in the Group's history. The 'Waterfront' integrated resort project, referred to as 'Cinnamon Life Integrated Resort' at present, was announced to the public.

2014/15 - 'Cinnamon Red Colombo', the first select service hotel in Sri Lanka, was launched. The 'OnThree20' residential development project was successfully completed. Union Assurance was segregated as per a regulatory directive, and the General Insurance segment was divested.

2015 - PRESENT

2015/16 - Waterfront Properties (Private) Limited raised the necessary debt funding for the 'Cinnamon Life Integrated Resort' project, by way of the largest syndicated debt facility obtained by a local firm. A controlling stake in Rajawella Holdings Ltd (RHL) was acquired for Rs. 1.04 billion. The Group raised Rs. 8 billion by converting 50 million warrants, '7th Sense' on Gregory's Road, a high end, niche, residential development was completed.

2017/18 - JMSL launched a new store format for its 'Keells' supermarkets. NTB launched 'FriMi', the country's first digital bank, enabling the opening of a bank account through a smart device. JKH launched 'TRI-ZEN', an 891-apartment joint venture residential development.

2018/19 - The new ice cream factory was completed in Seethawaka. The 'Keells' brand was launched with the completion of a refit and rebranding across all supermarket outlets. 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.

2019/20 - CY2020 marked a significant milestone for the Group, given 150 years of being in business. OCTAVE, the Group's Data and Advanced Analytics Centre of Excellence was formally initiated as a division under JKH. The newly reconstructed 159-room 'Cinnamon Bentota Beach' commenced operations as the Group's flagship 'Cinnamon' hotel. UA underwent a brand change, centred around the theme, 'Your Life, Our Strength'.

2020/21 - JKH entered into a ten-year financing agreement with the IFC for USD 175 million. A consortium consisting of Adani Ports and Special Economic Zone Limited (APSEZ) and JKH, in the capacity as the local partner, received a letter of intent (LOI) to develop and operate the West Container Terminal-1 at the Port of Colombo as a public private partnership (PPP) project. The Group instituted a Diversity, Equity and Inclusion programme towards increasing the diversity of our workforce and launched the 'ONE JKH' brand with several initiatives aimed at increasing critical diversity metrics across the Group. The Group established a goal of increasing the participation of women in the workforce up to 40% by the end of 2025/26, as a step towards achieving gender parity in the workforce.

2021/22 - JKH raised funds through a private placement of ordinary shares for a maximum cumulative amount of the LKR equivalent of USD 80 million to the Asian Development Bank (ADB) in two phases, in which Phase I was completed in January 2022 and USD 50 million was raised. JMSL launched a new concept 'Keells' outlet at Lauries Road, Colombo which utilises innovative technology features such as 'Scan & Go' self-checkouts. The build, operate transfer (BOT) agreement for the development West Container Terminal-1 (WCT-1) was signed. Waterfront Properties (Private) Limited, the project company of 'Cinnamon Life Integrated Resort' refinanced the USD 395 million syndicated loan.

DECADE AT A GLANCE

31 March Rs. Mn	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
OPERATING RESULTS										
Group revenue	276,640	218,075	127,676	138,956	135,456	121,215	106,273	93,710	91,852	86,706
EBIT	40,392	34,359	7,931	15,508	20,198	28,155	23,324	20,192	19,226	16,537
Finance cost	(17,803)	(7,035)	(4,669)	(3,166)	(2,722)	(521)	(436)	(994)	(668)	(1,217)
Share of results of equity accounted investees (net of tax)	7,574	6,746	4,159	4,466	4,727	3,596	3,303	2,781	2,778	3,089
Profit before tax	22,589	27,324	5,445	12,403	18,616	27,634	22,888	19,198	18,557	15,320
Tax expense	(3,693)	(6,882)	(1,494)	(2,662)	(2,378)	(4,515)	(4,771)	(3,406)	(2,812)	(2,362)
Profit after tax	18,896	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958
Attributable to:										
Equity holders of the parent	18,174	20,213	4,772	9,414	15,254	21,021	16,275	14,070	14,348	11,721
Non-controlling interests	722	230	(821)	327	983	2,099	1,842	1,722	1,397	1,237
	18,896	20,443	3,951	9,741	16,237	23,120	18,117	15,792	15,745	12,958
CAPITAL EMPLOYED										
Stated capital	73,188	73,188	63,102	62,881	62,806	62,802	62,790	58,702	50,703	49,749
Capital reserves and other components of equity	146,091	129,011	72,403	66,085	58,646	49,852	38,652	28,715	24,501	21,845
Revenue reserves	121,743	109,087	90,652	87,885	82,834	87,266	77,193	67,565	62,594	51,304
	341,022	311,286	226,157	216,851	204,286	199,920	178,635	154,982	137,798	122,898
Non-controlling interest	19,396	18,805	16,830	26,872	26,072	24,944	15,696	13,499	12,279	11,421
Total equity	360,418	330,091	242,987	243,723	230,358	224,864	194,331	168,481	150,077	134,319
Total debt	264,060	268,228	172,904	100,907	54,513	29,722	22,766	20,750	23,934	26,139
	624,478	598,319	415,891	344,630	284,871	254,586	217,097	189,231	174,011	160,458
ASSETS EMPLOYED										
Property, plant and equipment (PP&E)	362,097	124,348	113,077	111,534	97,688	87,260	64,396	52,737	49,563	47,406
Non-current assets other than PP&E	199,604	354,518	257,226	204,360	170,687	136,427	107,912	93,376	78,030	71,969
Current assets	182,806	238,929	166,491	121,050	95,421	98,762	104,964	94,863	90,493	82,206
Liabilities net of debt	(120,028)	(119,476)	(120,903)	(92,314)	(78,925)	(67,862)	(60,175)	(51,745)	(44,075)	(41,123)
	624,478	598,319	415,891	344,630	284,871	254,587	217,097	189,231	174,011	160,458
CASH FLOW										
Net cash flows from operating activities	13,281	30,440	13,825	(10,350)	(4,743)	16,012	21,020	20,513	20,855	8,041
Net cash flows from / (used in) investing activities	(78,889)	39,363	(44,944)	(27,039)	(8,452)	(16,640)	(17,670)	(9,567)	(1,255)	(19,710)
Net cash flows from / (used in) financing activities	(28,646)	31,693	55,427	18,431	(11,000)	(4,587)	(4,105)	(7,717)	(4,838)	25,446
Net increase / (decrease) in cash and cash equivalents	(94,254)	101,495	24,308	(18,959)	(14,709)	(5,215)	(755)	3,229	14,762	13,777
KEY INDICATORS										
Basic earnings per share (Rs.)	13.12	15.13	3.62	7.14	11.13	15.2	11.9	10.5	12.6	10.5
Interest cover (no. of times)	2.3	4.9	1.7	4.9	7.8	54	52.8	51.5	27.7	13.6
Net assets per share* (Rs.)	246.2	224.8	163.3	156.6	147.5	144.4	129.0	111.9	99.5	88.7
Enterprise value (EV)	357,609	311,951	244,679	186,236	210,020	187,926	136.022	124,182	155,675	124,182
EV / EBITDA	7.7	10.7	15.7	9.2	8.5	5.8	5.0	5.0	6.6	10.0
ROE (%)	5.6	7.5	2.2	4.5	7.5	11.1	9.8	9.6	11.0	11.0
Debt / equity ratio (%)	73.3	81.3	71.2	41.4	23.7	13.2	11.7	12.3	15.9	19.5
Net debt excl. leases (cash)/Equity (%)	35.91	23.5	20.0	14.0	1.9	(14.9)	(28.5)	(30.8)	(28.8)	(23.2)
Dividend payout (Rs.Mn)	2,770	2,012	1,978	4,614	8,186	8,325	7,280	8,038	3,476	3,267
Current ratio (no. of times)	2.0	1.8	2.3	2.1	1.7	3.0	3.7	4.0	2.6	2.4
Market price per share unadjusted (Rs.)	140.0	145.0	148.5	115.4	156.0	159.6	137.9	148.0	199.4	227.0
Market price per share diluted (Rs.)	140.0	145.0	148.5	115.4	156.0	159.6	137.9	129.5	152.7	173.8
Revenue growth rate (%)	26.9	70.8	(8.1)	2.6	11.8	14.1	13.4	1.6	5.9	4.1
USD closing rate (Rs.)	329.5	305.0	200.3	189.6	175.5	155.9	151.9	147.7	133.5	130.7
USD average rate (Rs.)	360.4	208.3	189.0	179.4	168.6	153.6	148.0	139.2	131.2	130.1

* 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 2023.

ECONOMIC VALUE STATEMENT

For the year ended 31 March Rs.Mn	Transportation		Consumer Foods		Retail		Leisure		Property	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Direct economic value generated										
Revenue	74,538	32,550	34,143	23,008	109,006	91,056	43,032	20,593	2,824	36,350
Finance income	265	141	884	635	315	332	1,726	545	519	328
Share of results of associates	5,775	3,680	-	-	-	-	(20)	(35)	(1,128)	825
Profit on sale of assets & other income	192	640	832	535	2,396	2,222	785	501	14	24
Valuation gain/loss on IP	-	-	24	17	(3)	-	201	105	525	(4,288)
	80,770	37,011	35,883	24,195	111,714	93,610	45,724	21,709	2,754	33,239
Economic value distributed										
Operating costs	66,678	34,219	25,805	15,235	96,568	83,695	26,441	13,098	3,406	33,206
Employee wages & benefits	756	672	3,948	3,307	5,537	4,689	7,771	4,327	1,193	448
Payments to providers of funds	3,447	825	2,630	1,898	5,097	2,775	4,527	994	330	300
Payments to government	572	288	968	1,160	147	780	1,205	325	79	102
Community investments	16	7	27	20	29	23	24	7	1	4
	71,469	36,011	33,378	21,620	107,378	91,962	39,968	18,751	5,009	34,060
Economic value retained										
Depreciation	187	201	1,026	940	1,642	1,340	3,080	2,230	63	57
Amortisation	84	60	60	45	1,513	1,282	2,847	1,706	27	28
Profit after dividends	9,030	739	1,419	1,590	1,181	(974)	(171)	(978)	(2,345)	(906)
Retained for reinvestment / growth	9,301	1,000	2,505	2,575	4,336	1,648	5,756	2,958	(2,255)	(821)

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			
2023	2022	2023	2022	2023	2022	2023	2022	2023	%	2022	%
16,204	15,686	10,537	6,745	290,284	225,988	(13,644)	(7,913)	276,640	87.75	218,075	85.80
9,102	5,778	27,362	32,441	40,173	40,200	(13,273)	(9,394)	26,900	8.53	30,806	12.12
2,947	2,276	-	-	7,574	6,746	-	-	7,574	2.40	6,746	2.65
93	28	246	260	4,558	4,210	(1,297)	(1,595)	3,261	1.03	2,615	1.03
-	-	132	81	879	(4,085)	-	-	879	0.29	(4,085)	(1.61)
28,346	23,768	38,277	39,527	343,468	273,059	(28,214)	(18,902)	315,254	100.00	254,157	100.00
19,328	14,958	16,420	13,056	254,646	207,467	(17,708)	(11,790)	236,938	75.16	195,677	76.99
1,670	1,647	2,655	2,245	23,530	17,335	-	-	23,530	7.46	17,335	6.82
323	1,898	12,679	5,690	29,033	14,380	(7,736)	(5,100)	21,297	6.76	9,280	3.65
1,079	680	2,457	1,143	6,507	4,478	-	-	6,507	2.06	4,478	1.76
6	1	190	97	293	159	-	-	293	0.09	159	0.06
22,406	19,184	34,401	22,231	314,009	243,819	(25,444)	(16,890)	288,565	91.53	226,929	89.29
119	100	164	147	6,281	5,015	-	-	6,281	1.99	5,015	1.97
420	374	53	51	5,004	3,546	-	-	5,004	1.59	3,546	1.40
5,401	4,110	3,659	17,098	18,174	20,679	(2,770)	(2,012)	15,404	4.89	18,667	7.34
5,940	4,584	3,876	17,296	29,459	29,240	(2,770)	(2,012)	26,689	8.47	27,228	10.71

INDICATIVE US DOLLAR FINANCIAL STATEMENTS

INCOME STATEMENT

FOR INFORMATION PURPOSES ONLY

For the year ended 31 March In USD '000s	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Continuing operations				
Revenue from contracts with customers	791,160	665,079	7,720	6,150
Revenue from Insurance Contracts	48,414	49,920	-	-
Total Revenue	839,574	714,999	7,720	6,150
Cost of sales	(689,500)	(591,574)	(3,541)	(3,558)
Gross profit	150,074	123,425	4,179	2,592
Dividend income	-	-	32,276	26,255
Other operating income	9,896	8,573	125	168
Selling and distribution expenses	(25,087)	(18,796)	-	-
Administrative expenses	(66,549)	(48,402)	(6,334)	(4,207)
Other operating expenses	(29,820)	(40,839)	(2,271)	(1,687)
Results from operating activities	38,514	23,961	27,975	23,121
Finance cost	(54,030)	(23,065)	(26,643)	(9,725)
Finance income	81,638	101,004	49,554	79,339
Change in insurance contract liabilities	(23,218)	(21,037)	-	-
Change in fair value of investment property	2,666	(13,393)	-	-
Share of results of equity accounted investees (net of tax)	22,985	22,118	-	-
Profit before tax	68,555	89,588	50,886	92,735
Tax expense	(11,209)	(22,563)	(6,245)	(12,782)
Profit for the year	57,346	67,025	44,641	79,953
Attributable to:				
Equity holders of the parent	55,154	66,272		
Non-controlling interests	2,192	753		
	57,346	67,025		
Earnings per share				
Basic earnings per ordinary share	0.04	0.05		
Diluted earnings per ordinary share	0.04	0.05		

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/Rs.329.5 (2022 - 305) 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 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
ASSETS				
Non-current assets				
Property, plant and equipment	1,098,929	407,697	426	273
Right- of - use assets	164,446	175,349		
Investment property	100,241	100,353	-	-
Intangible assets	17,580	17,703	191	309
Investments in subsidiaries	-	-	601,137	383,497
Investments in equity accounted investees	116,802	111,035	49,219	43,481
Non-current financial assets	194,103	159,641	13,369	10,108
Deferred tax assets	7,837	5,097	-	-
Other non-current assets	4,769	593,180	382	393
	1,704,707	1,570,055	664,724	438,061
Current assets				
Inventories	118,648	118,770	-	-
Trade and other receivables	65,275	90,149	630	341
Amounts due from related parties	964	644	3,574	2,166
Other current assets	44,220	39,064	5,146	2,677
Short term investments	249,535	363,021	174,426	275,320
Cash in hand and at bank	76,155	171,726	24,983	89,712
	554,797	783,374	208,759	370,216
Total assets	2,259,504	2,353,429	873,483	808,277
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated capital	222,118	239,960	222,118	239,960
Revenue reserves	369,479	357,663	308,974	296,991
Other components of equity	443,372	422,988	54,793	19,703
	1,034,969	1,020,611	585,885	556,654
Non-controlling interest	58,866	61,656	-	-
Total equity	1,093,835	1,082,267	585,885	556,654
Non-current liabilities				
Insurance contract liabilities	178,778	168,358	-	-
Interest-bearing loans and borrowings	484,913	521,055	203,058	211,915
Lease liabilities	97,276	98,580	-	-
Deferred tax liabilities	59,750	39,398	8,625	9,318
Employee benefit liabilities	7,768	10,186	667	977
Non-current financial liabilities	61,023	7,914	55,782	-
Other non-current liabilities	869	722	-	-
	890,377	846,213	268,132	222,210
Current liabilities				
Trade and other payables	90,641	142,523	1,916	1,857
Amounts due to related parties	11	6	177	69
Income tax liabilities	5,459	8,585	2,696	2,888
Short term borrowings	26,409	48,633	3,945	6,557
Interest-bearing loans and borrowings	38,966	133,195	10,152	8,403
Lease liabilities	6,855	11,343	-	-
Other current liabilities	15,756	14,034	54	-
Bank overdrafts	91,195	66,630	526	9,639
	275,292	424,949	19,466	29,413
Total equity and liabilities	2,259,504	2,353,429	873,483	808,277

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/Rs.329.5 (2022 - 305) have been used to convert the income statement and statement of financial position.

GROUP REAL ESTATE PORTFOLIO

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Land in acres Leasehold	Net book value 2023 Rs.'000s	Net book value 2022 Rs.'000s
PROPERTIES IN COLOMBO						
John Keells PLC						
56/1, 58, 58 1/1 Kirulapone Avenue, Colombo 5.	-	-	0.08	-	1,250	1,250
Keells Realtors Ltd						
427 & 429, Ferguson Road, Colombo 15.	2	28,125	1.22	-	424,026	424,122
Mackinnon Keells Ltd						
Leyden Bastian Road, York Street, Colombo 01.	1	31,656	0.45	-	736,809	735,000
Union Assurance PLC						
No 20, St. Michaels' Road, Colombo 03.	1	57,916	0.58	-	2,437,199	2,098,518
Vauxhall Developments (Pvt) Ltd						
No.199,Union Place, Colombo 2 and 148, Vauxhall Street, Colombo 2.	7	209,484	3.56	-	10,237,857	9,687,620
No.188, 188/1, 188/2, 190, 192 Vauxhall Street, Colombo 2 and 42, Dawson Street, Colombo 2.	-	-	2.09	-	6,019,200	5,684,800
No. 186, 186/3 Vauxhall Street, Colombo 2.	-	-	3.72	-	10,726,380	10,130,470
Waterfront Properties (Pvt) Ltd						
No 5, Justice Akbar Mawatha, Slave Island, Colombo 2	1	207,480	0.76	-	16,903,000	15,530,000
Glennie Properties (Pvt) Ltd						
No.82, Glennie Street, Colombo 02.	-	-	0.08	-	193,920	193,920
	12	534,661	12.54	-	47,679,641	44,485,700
PROPERTIES OUTSIDE COLOMBO						
Ceylon Cold Stores PLC						
Kaduwela.	22	334,804	27.35	-	2,280,245	1,817,815
Trincomalee.	3	19,071	1.06	-	341,394	317,250
Kotagala	6	13,354	-	0.71	60,475	97,531
Facets (Pvt) Ltd						
Ahungalla.	-	-	6.31	-	529,200	479,200
John Keells PLC						
17/1, Temple Road, Ekala, Ja-Ela.	1	1,200	3.77	-	483,000	422,730
John Keells Properties Ja-Ela (Pvt) Ltd						
No 525, Colombo Road, Kapuwatta, Ja-Ela.	1	144,631	6.60	-	2,068,000	2,088,000
John Keells Warehousing (Pvt) Ltd						
Muthurajawela.	3	146,743	-	6.19	576,643	389,521
Keells Food Products PLC						
41, Temple Road, Ekala, Ja-Ela.	8	52,698	3.00	1.00	504,653	388,748
Gonawala, Pannala.	4	41,166	3.86	4.08	379,190	346,964
Logipark International (Pvt) Ltd						
Muthurajawela.	-	-	-	9.00	2,864,152	2,456,826
Rajawella Holdings Ltd						
Mahaberiatenna, Kandy.	4	59,922	-	367.83	766,828	1,796,497
Tea Smallholder Factories PLC						
Broadlands.	14	62,765	4.14	-	133,566	101,627
Halwitigala.	14	53,999	9.61	-	106,108	80,136
Hingalgoda.	26	65,686	12.04	-	134,700	116,135
Karawita.	12	79,244	-	4.98	142,474	142,474
Kurupanawa.	22	55,728	12.12	-	147,076	104,272
Neluwa.	18	53,266	3.74	-	112,971	91,752
New Panawenna.	8	46,389	10.59	-	102,030	75,493
Peliyagoda.	1	31,629	-	0.98	460,786	440,324
	167	1,262,295	104.19	394.77	12,193,491	11,753,295

Owning company and location	Number of Buildings	Buildings in (sq. ft.)	Land in acres Freehold	Land in acres Leasehold	Net book value 2023 Rs.'000s	Net book value 2022 Rs.'000s
PROPERTIES OUTSIDE COLOMBO						
The Colombo Ice Company (Pvt) Ltd						
Awissawella.	9	182,937	-	9.30	1,836,938	1,694,226
J K Thudella Properties (Pvt) Ltd						
Tudella, Ja-Ela.	-	-	12.11	-	678,265	581,370
Union Assurance PLC						
No 06,Rajapihilla Road, Kurunegala.	1	27,904	0.20	-	425,117	347,578
Whittall Boustead Ltd						
150, Badulla Road, Nuwara Eliya.	1	4,343	0.46	-	208,983	171,200
	178	1,477,479	116.96	404.07	15,342,794	14,547,669
HOTEL PROPERTIES						
Asian Hotels and Properties PLC						
Cinnamon Grand Premises, Colombo 2.	4	734,932	6.64	-	32,076,435	26,052,814
Crescat Boulevard, Colombo 2.	1	145,196	1.39	-	2,639,839	6,486,065
Ahungalla Holiday Resort (Pvt) Ltd						
Ahungalla.	-	-	6.51	-	336,200	319,100
Beruwala Holiday Resorts (Pvt) Ltd						
Cinnamon Bey, Beruwala.	9	453,136	10.82	-	5,208,233	4,145,822
Ceylon Holiday Resorts Ltd						
Bentota Beach Hotel, Bentota.	8	308,658	2.02	11.92	4,768,101	4,501,495
Fantasea World Investments (Pte) Ltd						
Chaaya Lagoon Hakuraa Huraa, Republic of Maldives.	163	236,730	-	18.90	12,632,232	12,226,001
Habarana Lodge Ltd						
Cinnamon Lodge, Habarana.	79	101,162	-	34.00	864,856	755,646
Habarana Walk Inn Ltd						
Chaaya Village, Habarana.	84	91,369	-	9.34	370,369	318,116
Hikkaduwa Holiday Resort (Pvt) Ltd						
Chaaya Tranz, Hikkaduwa.	5	218,362	0.29	4.43	1,935,297	1,832,211
Kandy Walk Inn Ltd						
Cinnamon Citadel, Kandy.	6	128,302	6.29	-	1,811,231	1,745,394
Resort Hotels Ltd						
Medway Estate, Nilaveli.	1	4,485	41.73	-	1,066,000	961,700
Trans Asia Hotels PLC						
Cinnamon Lake Side, Colombo 2.	2	371,611	-	7.65	7,082,927	6,304,361
Tranquility (Pte) Ltd						
Chaaya Island Dhonveli, Republic of Maldives.	146	261,327	-	17.16	27,636,699	26,067,067
Velifushi, Republic of Maldives.	145	263,512	-	13.22	8,072,854	8,616,321
Travel Club (Pte) Ltd						
Chaaya Reef Ellaidhoo, Republic of Maldives.	115	178,294	-	13.80	6,519,327	6,901,435
Trinco Holiday Resorts (Pvt) Ltd						
Chaaya Blu, Trincomalee.	9	94,931	13.24	-	1,684,907	1,484,335
Trinco Walk Inn Ltd						
Club Oceanic, Trincomalee.	-	-	14.15	-	393,467	392,500
Wirawila Walk Inn Ltd						
Randunukelle Estate, Wirawila.	-	-	25.15	-	100,718	95,600
Yala Village (Pvt) Ltd						
Cinnamon Wild, Tissamaharama.	78	81,909	-	9.34	618,025	498,109
	855	3,673,916	128.23	139.76	115,817,717	109,704,092
Improvements to Keells Super outlets on leased hold properties and lease rentals paid in advance	132	1,405,272	-	99.64	17,501,983	16,558,634
Consolidated Value of Land and Buildings, Right of Use Assets and Investment Property	1,177	7,091,328	257.73	643.47	196,342,135	185,296,095

GLOSSARY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

ASSET TURNOVER
Revenue including equity accounted investees divided by average total assets.

BETA
Covariance between daily JKH share return and market return divided by variance of daily market return, over a 5-year period.

CAPITAL EMPLOYED
Shareholders' funds plus non-controlling interests and debt including lease liabilities.

CAPITAL STRUCTURE LEVERAGE (CSL)
Average total assets divided by average shareholders' equity.

CASH EARNINGS PER SHARE
Profit attributable to equity holders of the parent adjusted for non-cash items minus share of profits of equity accounted investees plus dividends from equity accounted investees divided by the weighted average number of ordinary shares in issue during the period.

COMMON EARNINGS LEVERAGE (CEL)
Profit attributable to equity holders of the parent divided by profit after tax.

CONTINGENT LIABILITIES
A condition or situation existing as at the date of the Report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or non-occurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability.

CURRENT RATIO
Current assets divided by current liabilities.

DEBT/EQUITY RATIO
Debt as a percentage of shareholders' funds and non-controlling interests.

DILUTED EARNINGS PER SHARE (EPS)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

DIVIDEND PAYABLE
Final dividend per share multiplied by the latest available total number of shares as at the date of the Report.

DIVIDEND PAYOUT RATIO
Dividend paid as a percentage of Group profits attributed to equity holders.

DIVIDEND YIELD
Dividends adjusted for changes in number of shares in issue as a percentage of the share price (diluted) at the end of the period.

EARNINGS PER SHARE (BASIC)
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest expense and tax (includes other operating income). Note that EBIT includes interest income, fair value gains and losses on investment property, depreciation and amortisation, and share of results of equity accounted investees, but excludes exchange gains or losses (other than that of equity accounted investees).

EBITDA
Earnings before interest expense, tax, depreciation and amortisation (includes other operating income). Note that EBITDA includes interest income, fair value gains and losses on investment property and share of results of equity accounted investees, but excludes exchange gains or losses (other than that 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 and similar obligations as a percentage of total debt.

MARKET CAPITALISATION
Number of shares in issue at the end of the period multiplied by the market price at the end of the period.

NET ASSETS
Total assets minus current liabilities, long-term liabilities, and non-controlling interests.

NET ASSETS PER SHARE
Net assets as at a particular financial year end divided by the number of shares in issue as at the current financial year end.

NET DEBT (CASH)
Total debt minus cash in hand and at bank minus short term investments minus deposits with a maturity between 1 and 3 years held at the Holding Company, excluding short-term investments under the life fund of UA, restricted regulatory fund at UA and customer advances at the Property Development sector, if any.

NET PROFIT MARGIN
Profit after tax attributable to equity holders of the parent divided by total revenue including equity accounted investees.

PRICE EARNINGS RATIO
Market price per share over earnings per share.

PRICE TO BOOK RATIO
Market price per share over net asset value per share.

PRICE TO CASH EARNINGS
Market price per share divided by diluted cash earnings per share.

PUBLIC HOLDING
Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

QUICK RATIO
Cash plus short-term investments plus receivables, divided by current liabilities.

RECURRING EBITDA/ RECURRING EBIT/ RECURRING PBT / RECURRING PAT/ RECURRING PAT TO EQUITY HOLDERS OF THE PARENT
Profit, as applicable, adjusted for the one-off impacts discussed under the Financial and Manufactured Capital Review section of the Report: Page 81.

RETURN ON ASSETS
Profit after tax divided by the average total assets.

RETURN ON CAPITAL EMPLOYED (ROCE)
EBIT as a percentage of average capital employed.

RETURN ON EQUITY (ROE)
Profit attributable to shareholders as a percentage of average shareholders' funds.

SCOPE 1 AND SCOPE 2
The GHG Protocol has established a classification of GHG emissions called 'Scope': Scope 1, Scope 2 and Scope 3. The GHG emissions standard published by the International Organisation for Standardisation (ISO), 'ISO 14064', represents these classifications of Scope with the following terms:

1. Direct GHG emissions = Scope I

2. Energy indirect GHG emissions = Scope 2

SHAREHOLDERS' FUNDS
Total of stated capital, other components of equity and revenue reserves.

TANGIBLE NET WORTH
Total equity less intangible assets and deferred tax assets.

TOTAL DEBT
Long and short-term loans, including overdrafts and the liability arising out of the issue of convertible debentures, but excluding lease liabilities. Instances where total debt includes lease liabilities and/or excludes the liability arising out of the issue of convertible debentures are explicitly mentioned.

TOTAL EQUITY
Shareholders' funds plus non-controlling interest.

WORKING CAPITAL
Current assets minus current liabilities

INDEPENDENT ASSURANCE STATEMENT

INTRODUCTION

DNV represented by DNV Business Assurance Lanka (Private) Limited ('DNV') has been commissioned by the management of John Keells Holdings PLC ('JKH' or 'the Company', Corporate Registration Number PQ14) to carry out an independent assurance engagement of its non-financial/sustainability performance (qualitative and quantitative data) disclosed in the JKH's Annual Report 2022/23 ('the Report') in its printed and online formats. The sustainability performance in this Report covers disclosures corresponding to the reporting period 1 April 2022 – 31 March 2023 and related to material topics identified by JKH.

The sustainability disclosures have been prepared by JKH based on the Guiding Principles and Content Elements of the International <IR> Framework (January 2021, the '<IR> Framework') of the International Integrated Reporting Council ('IIRC'), the Global Reporting Initiative's (GRI's) Sustainability Reporting Standards ('GRI Standards') 2021 and other frameworks to which JKH subscribes, to bring out the various Content Elements of the <IR> Framework as well as performance trends related to identified material topics.

The reporting topic boundaries for non-financial performance are based on the internal and external materiality assessment carried out by JKH covering identified material topics for the various business sectors of JKH, and is as brought out in the Report in the section 'Sustainability Integration, Stakeholder Engagement and Materiality'. The Report does not include performance data and information related to the activities of non-operational entities, investment entities and companies holding only land, over which JKH does not exercise operational and management control.

We performed our assurance (Type 2, Moderate level) activities based on AccountAbility's AA1000 Assurance Standard v3, and DNV's assurance methodology VeriSustainTM . In doing so, we evaluated the qualitative and quantitative disclosures presented in the Report, together with using the Guiding Principles of the <IR> Framework, together with JKH's protocols for measuring, recording and reporting sustainability performance. Our assurance engagement was planned and carried out in February 2023 – May 2023.

The intended user of this assurance statement is the Management of JKH. We disclaim any liability or responsibility to a third party for decisions, whether investment or otherwise, based on this Assurance Statement. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion and this process did not involve engagement with any external stakeholders.

RESPONSIBILITIES OF THE MANAGEMENT OF JKH AND OF THE ASSURANCE PROVIDER

The Management of the Company has the sole responsibility for the preparation of the Report as well as the processes for collecting, analysing and reporting the information presented in the Report and also responsible for ensuring the maintenance and integrity of its website and referenced disclosures on sustainability performance and management approach. In performing this assurance work, DNV's responsibility is to the Management of JKH; however, this statement represents our independent opinion and is intended to inform the outcome of the assurance to the stakeholders of the Company.

DNV's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith and free from material misstatements or errors. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement.

We did not come across limitations to scope of the agreed assurance agreement during our assurance process. The reported data on economic performance and other financial data of JKH within the Report are based on audited financial statements which have been subjected to a separate independent statutory audit process and is not included in our scope of work.

BASIS OF OUR OPINION

We planned and performed our work to obtain the evidence considered necessary to provide a basis for our assurance opinion, and as part of the assurance engagement, a multi-disciplinary team of sustainability and assurance specialists conducted assessments and interactions with key internal stakeholders at JKH's Corporate Office in Colombo and sample operations of the Group based on DNV's sampling plan. We adopted a risk-based approach, that is, we concentrated our verification efforts on the issues of high material relevance to JKH and its key stakeholders. We undertook the following activities:

- Reviewed JKH's approach towards addressing the Guiding Principles and Content Elements of the <IR> Framework and the Principles for Defining Report Content and Quality as per GRI Standards (GRI 1: Foundation 2021) and general disclosures as per GRI standards (GRI 2: General disclosures 2021), including stakeholder engagement and materiality determination processes;
- Carried out site assessments of sample operations of the Group - (i) JKH's Corporate Office, Vauxhall Street - Colombo (ii) Hikka Tranz by Cinnamon – Hikkaduwa (iii) John Keells stock brokerage Office - Colombo (iv) Keells Outlet – Darley road (v) John Keells Logistics' Warehouse (Logipark) at Kerawelapitiya, and (vi) Colombo ice company at Awissawella to review the processes and systems for preparing site level sustainability data and implementation of sustainability strategy. DNV was free to choose sites for conducting assessments;
- Conducted interviews with senior management teams and other representatives including data owners and decision-makers responsible for implementation of the Group's policies and management of sustainability issues as disclosed within the Report. We were free to choose interviewees and interviewed those with overall responsibility to deliver JKH's sustainability objectives;
- Assessed the robustness of the data management systems, data accuracy, information flow and controls for the reported disclosures and specific performance data related to identified material topics, as well as the processes for data consolidation in context to the principle of Completeness as per DNV's VeriSustain;
- Examined and reviewed selected supporting evidences including documents, data and other information made available

1 The VeriSustain protocol is available on request from www.dnv.com and is based on our professional experience, international assurance best practices including the International Standard on Assurance Engagements 3000 (ISAE 3000) Revised (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and GRI's Reporting Principles. GRI's Principles for defining Report Content and Quality.

INDEPENDENT ASSURANCE STATEMENT

by JKH related to sustainability disclosures presented within the Report;

- Performed an independent assessment of JKH's reporting against the reporting requirements for the GRI Standards of reporting, as well as the value creation disclosures related to the capitals identified by JKH and Content Elements of the <IR> Framework.

OPINION AND OBSERVATIONS

On the basis of our assurance work undertaken, nothing has come to our attention to suggest that the Report does not properly describe JKH's adherence to the Reporting Principles of the GRI Standards and the Guiding Principles and Content Elements of the <IR> Framework. This includes GRI requirements of reporting (GRI 2: General Disclosures 2021 and GRI 3: Material topics 2021), representation of the material topics including chosen topic-specific disclosures (below) from the GRI Standards to bring out its sustainability performance, business model, disclosures on value creation through identified capitals, and related strategies:

- GRI 201: Economic Performance 2 016 – 201-1, 201-3;
- GRI 203: Indirect Economic Impacts 2016 – 203-1;
- GRI 204; Procurement Practices 2016 – 204-1;
- GRI 205: Anti-corruption 2016 – 205-1;
- GRI 207: Tax 2019 – 207-1, 207-2, 207-3, 207-4;
- GRI 302: Energy 2016 – 302-1, 302-2, 302-3, 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, 305-4;
- GRI 306: Waste 2020 – 306-1, 306-2, 306-3, 306-4, 306-5;
- 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, 403-7,403-8, 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 2 016 – 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, 417-2, 417-3;

Without affecting our assurance opinion, we also provide the following observations.

PRINCIPLES OF THE AA1000 ACCOUNTABILITY PRINCIPLES STANDARD (2018)

Inclusivity

The participation of stakeholders in developing and achieving an accountable and strategic response to Sustainability.

The Report explains how JKH engages with its stakeholders who have significant influence over or who significantly affect its operations, through ongoing formal and informal processes. The modes and frequencies, as well as the key concerns and expectations that arise from these engagements are brought out by JKH.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Inclusivity.

Materiality

The process of determining the issues that are most relevant to an organization and its stakeholders.

The Report describes the materiality assessment carried out by JKH covering the Group and its key business segments aimed at identifying significant environmental, social and governance topics which are important to its stakeholders and relevant to the Group's long-term value creation. The identified material topics and matters are prioritized based on impacts and relative importance, to form the overall report content. JKH reviews its material topics at regular intervals and confirms that its material topics and topic boundaries have not changes significantly from the previous reporting period.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Materiality.

Responsiveness

The extent to which an organization responds to stakeholder issues.

The Report brings out descriptions of JKH's processes towards responding to its material topics including evaluation of its business strategies through descriptions of the Group's and individual business sectors' policies, management approach, targets, performance indicators and governance mechanisms related to identified material matters such as key outcomes and impacts, in its Annual Report and corporate website.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Responsiveness.

Impact

The level to which an organisation monitors, measures and is accountable for how its actions affect its broader ecosystems.

The Report describes the key metrics and management processes followed by JKH for monitoring, measuring and evaluating the non-financial impacts related to its identified material matters and key stakeholder groups across its various businesses and significant value chain entities.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Impact.

SPECIFIC EVALUATION OF THE INFORMATION ON SUSTAINABILITY PERFORMANCE

We consider the methodology and the process for gathering information developed by JKH for its sustainability performance

2 The DNV Code of Conduct is available on request from www.dnv.com

DNV

reporting to be appropriate, and the 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. We observed that the Report presents a faithful description of the reported sustainability activities and goals achieved for the reporting period.

Reliability

The accuracy and comparability of information presented in the report, as well as the quality of underlying data management systems.

The Report brings out JKH's sustainability performance related to its identified material matters using selected GRI topic-specific Standards. The sustainability performance data is captured on a quarterly basis from across its businesses through its data management system, and audited internally. The majority of the data and information verified through our assessments at sampled operational sites and aggregated at the corporate level were found to be fairly accurate and reliable. Some of the data inaccuracies identified during the verification process were found to be attributable to transcription, interpretation and aggregation errors and these errors have been identified, communicated and corrected.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Reliability.

ADDITIONAL PRINCIPLES AS PER DNV VERISUSTAIN

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Report brings out the key requirements related to the <IR> framework including strategies and descriptions of business model and management approach towards creating value, and GRI General Disclosures and selected topic-specific Standards for bringing out its sustainability performance.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Completeness with respect to scope, boundary and time.

Neutrality

The extent to which a report provides a balanced account of an organization's performance, delivered in a neutral tone.

The Report presents JKH's performance during the reporting period in a neutral manner so as to not unduly influence stakeholder opinions made on reported data and information, which includes descriptions of significant challenges and concerns related to stakeholders and business sectors, and overall macroeconomic environment and business outlook.

Nothing has come to our attention to suggest that the Report does not meet the requirements related to the Principle of Neutrality.

STATEMENT OF COMPETENCE AND INDEPENDENCE

DNV applies its own management standards and compliance policies for quality control, in accordance with ISO IEC 17021:2015 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the DNV Code of Conduct during the assurance engagement and maintain independence where required by relevant ethical requirements including the AA1000AS v3 Code of Practice. This engagement work was carried out by an independent team of sustainability assurance professionals. We were not involved in the preparation of any statements or data included in the Report except for this Assurance Statement and Management Report. DNV maintains complete impartiality toward stakeholders interviewed during the assurance process. We did not provide any services to JKH or its subsidiaries in the scope of assurance for the reporting period that could compromise the independence or impartiality of our work.

For DNV,

Lankalapalli, Bhargav — Digitally signed by Lankalapalli, Bhargav Date: 2023.05.23 09:44:28 +05'30'	Wickramasinghe, Rohitha — Digitally signed by Wickramasinghe, Rohitha Date: 2023.05.22 20:22:18 +05'30'	Kakaraparthi, Venkata Raman — Digitally signed by Kakaraparthi, Venkata Raman Date: 2023.05.22 22:08:52 +05'30'
Bhargav Lankalapalli Lead Verifier DNV Business Assurance India Private Limited, India.	Rohitha Wickramasinghe Operations Manager – Sri Lanka DNV Business Assurance Lanka (Private) Limited	Kakaraparthi Venkata Raman Assurance Reviewer DNV Business Assurance India Private Limited, India

22nd May 2023, Colombo, Sri Lanka.

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DNV Business Assurance Lanka (Private) Limited is part of DNV – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnv.com

GROUP DIRECTORY

Industry Group	Sector	Segment/ Business	Company Name	Nature	Incorporated Year & Country
TRANSPORTATION	Ports and Shipping		Colombo West International Terminal (Pvt) Ltd**	Ports & Shipping Services	2021 (PV00238709) Sri Lanka
TRANSPORTATION	Ports and Shipping		Inchcape Mackinnon Mackenzie Shipping (Pvt) Ltd**	Port agency services, project logistics and freight forwarding solutions	2021 (PV00235035) Sri Lanka
TRANSPORTATION	Ports and Shipping		Mackinnon Mackenzie & Company (Shipping) Ltd	Shipping Agency representation & logistics services	1973 (PB 359) Sri Lanka
TRANSPORTATION	Ports and Shipping		Maersk Lanka (Pvt) Ltd. **	Shipping Agency representation & freight forwarding services	1992 (PV 2550) Sri Lanka
TRANSPORTATION	Ports and Shipping		South Asia Gateway Terminals (Pvt) Ltd **	Ports & Shipping Services	1998 (PV 326) Sri Lanka
TRANSPORTATION	Transportation	Bunkering	Lanka Marine Services (Pvt) Ltd	Importer & supplier of heavy marine fuel oils	1993 (PV 475) Sri Lanka
TRANSPORTATION	Transportation	DHL Keells	DHL Keells (Pvt) Ltd **	International express courier services	1986 PV 1307 Sri Lanka
TRANSPORTATION	Transportation	Logistics	John Keells Logistics (Pvt) Ltd	Integrated supply chain management	2006 PV318 Sri Lanka
TRANSPORTATION	Transportation	Other	Mack International Freight (Pvt) Ltd	International freight forwarding and clearing & forwarding	1980 (PV 831) Sri Lanka
TRANSPORTATION	Transportation	Other	Mackinnon Mackenzie and Company of Ceylon Ltd*	Foreign recruitment agents & consultants	1975 (PB 348) Sri Lanka
TRANSPORTATION	Transportation	Other	Trans-Ware Logistics (Pvt) Ltd*	Renting of storage space	1994 (PV 3134) Sri Lanka
TRANSPORTATION	Transportation	Airlines	Mack Air (Pvt) Ltd	General sales agents for airlines in Sri Lanka	1980 (PV 868) Sri Lanka
TRANSPORTATION	Transportation	Airlines	Mackinnons Travels (Pvt) Ltd	IATA accredited travel agent and travel related services	1971 (PV 1261) Sri Lanka
TRANSPORTATION	Transportation	Airlines	Saffron Aviation (Pvt) Ltd	Domestic air line operations	2012 (PV 84728) Sri Lanka
CONSUMER FOODS		Beverages	Ceylon Cold Stores PLC	Manufacture & Marketing of Beverages and frozen confectionery and the holding company of JayKay Marketing	1926 1941 (PQ 4) Sri Lanka
CONSUMER FOODS		Frozen Confectionery	The Colombo Ice Company (Pvt) Ltd	Manufacturing and Marketing of frozen confectionery	2016 (PV 113758) Sri Lanka
CONSUMER FOODS		Convenience Foods	John Keells Foods India (Pvt) Ltd*	Marketing of Branded meat and convenience food products	2008 (U15122MH2008FTC180902) India
CONSUMER FOODS		Convenience Foods	Keells Food Products PLC	Manufacturer and distributor of Processed meat, breaded meat & convenience food products.	1982 (PQ 3) Sri Lanka

Addresses	Directors	Stated Capital & Effective Holding
No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 2. Tel. 2475574	K N J Balendra, J G A Cooray, S Mehta, S Tripathy, U M Abhyankar, H Sundaram, K A Pathak, J S Khurana, A Z Hashim, K D Weerasinghe, G U K Algewattage, K D Bernard	USD 51,960,785 34%
No. 11, York Street, Colombo 01 Tel. (0)11 247 5420	A Z Hashim, K C Subasinghe, K D Weerasinghe, D N Pratt, A Pillai	Rs.27,420,000 60%
No. 4, Layden Bastian Road, Colombo 1 Tel. 2475423	K D Weerasinghe,K C Subasinghe, A Z Hashim	Rs.5,000,000 100%
Level 16 Park Land 33, Park Street, Colombo 2 Tel. 0114794800	Nikhil D'Lima, Saman Kekulawala, Vikash Agarwal, W T Ellawala, Ahmed Zafir Hashim	Rs.10,000,000 30%
Port of Colombo, P.O Box 141 Colombo 1 Tel. 0112457500	K N J Balendra - Chairperson J G A Cooray, K D Weerasinghe, N W Tambiah, K C Subasinghe, A Z Hashim, D P Gamlath,Yen-I Chang, J M Bevis, M Degryse, J R Goldner, G U K Algewattage, S K Brandt, K D Bernard	Rs.3,788,485,900 42.19%
No 04, Leyden Bastian Road, Colombo 01 Tel. 2475410-421	A Z Hashim, K D Weerasinghe, D P Gamlath	Rs.350,000,000 99.44%
No. 148, Vauxhall Street, Colombo 2. Tel. 2304304 / 4798600	K N J Balendra - Chairperson A Z Hashim, S P Wall, S R Sivarama	Rs.20,000,020 50%
No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel. 2475574	K D Weerasinghe, A Z Hashim	Rs.200,000,000 100%
No. 11, York Street, Colombo 1 Tel. 7671671	K D Weerasinghe, K C Subasinghe, A Z Hashim	Rs.130,000,000 100%
No. 11, York Street, Colombo 1 Tel. 2475509	K D Weerasinghe, K C Subasinghe, A.Z.Hashim	Rs.90,000 100%
No. 11, York Street, Colombo 1 Tel. 2475545/539	K C Subasinghe, A Z Hashim, N N Mawilmada, K D Weerasinghe	Rs.220,000,080 100%
No. 11, York Street, Colombo 1 Tel. 2475375/2475335	K D Weerasinghe, K C Subasinghe, A Z Hashim	Rs.12,500,000 100%
No. 186, Vauxhall Street, Colombo 2 Tel. 2318600	K D Weerasinghe, K C Subasinghe, A Z Hashim	Rs.5,000,000 100%
No. 117, Sir Chittampalam A Gardiner Mawatha, Colombo 02. Tel. 2475502	J G A Cooray - Chairperson K D Weerasinghe, A Z Hashim, B A B Goonetilleke, K Balasundaram, H D Abeywickrema, C S W Anthony	Rs.622,179,000 40%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2318798	K N J Balendra - Chairperson J G A Cooray, D P Gamlath, M Hamza, S T Ratwatte, R S W Wijeratnam, P N Fernando, K C Subasinghe	Rs.918,200,000 81.36%
No.117, Chittampalam A Gardiner Mawatha, Colombo - 02 Tel. 2306000	P N Fernando, D P Gamlath	Rs.1,700,000,000 81.36%
Luthra and Luthra Chartered Accountants A 16 / 9, Vasant Vihar, New Delhi -110057, India Tel. 0091 1142591823, 0091, 1126148048, 26151853, 26147365 Fax: +91-11-2614 5222	P N Fernando, D P Gamlath, K O Agrawal	Rs.220,294,544 (INR 90,000,000) 88.63%
P.O Box 10,No.16, Minuwangoda Road, Ekala Ja-Ela Tel. 2236317/ 2236364	K N J Balendra - Chairperson J G A Cooray, D P Gamlath, S De Silva, A E H Sanderatne, I Samarajiva, P D Samarasinghe, P N Fernando	Rs.1,294,815,000 88.63%

GROUP DIRECTORY

Industry Group	Sector	Segment/ Business	Company Name	Nature	Incorporated Year & Country
RETAIL		Supermarket	JayKay Marketing Services (Pvt) Ltd	Owns and Operates the "Keells" chain of supermarkets and "Nexus Mobile" loyalty card programme.	1980 (PV 33) Sri Lanka
RETAIL		Supermarket	Logipark International (Pvt) Ltd	Integrated Supply Chain Management	2018 (PV 201610) Sri Lanka
RETAIL		Office Automation	John Keells Office Automation (Pvt) Ltd	Distributor/Reseller and Services Provider in Office Automation(OA), Retail Automation (RA) and Mobile Devices	1992 (PV 127) Sri Lanka
LEISURE	Hotel Management		Cinnamon Hotel Management Ltd	Operator & marketer of resort hotels	1974 (PB 7) Sri Lanka
LEISURE	Hotel Management		Cinnamon Hotel Management International (Pvt) Ltd*	Operator & marketer of overseas hotels & resorts	2018 (PV 131788) Sri Lanka
LEISURE	Hotel Management		John Keells Hotels PLC*	Holding company of group resort hotel companies in Sri Lanka & Maldives	1979 (PQ 8) Sri Lanka
LEISURE	Hotel Management		Sentinel Realty (Pvt) Ltd**	Investment company for Hotel Development land	2011 (PV 80706) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Colombo Hotels	Asian Hotels and Properties PLC -Cinnamon Grand***	Owner & operator of the five star city hotel "Cinnamon Grand"	1993 (PQ 2) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Colombo Hotels	Capitol Hotel Holdings Ltd	Developer of City Business Hotels	2012 (PB 5013) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Colombo Hotels	Trans Asia Hotels PLC	Owner & operator of the five star city hotel "Cinnamon Lakeside".	1981 (PQ 5) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Colombo Hotels	Waterfront Properties (Pvt) Ltd***	Developer of Hotels,Apartments, offices & Shopping Malls	2011 (PV 82153) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Ahungalla Holiday Resorts (Pvt) Ltd*	Owner of real estate	2012 (PV 85046) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Beruwala Holiday Resorts (Pvt) Ltd	Owner & operator of "Cinnamon Bey" in Beruwala	2009 (PV 69678) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Ceylon Holiday Resorts Ltd -Bentota Beach Hotel	Owner & operator of "Cinnamon Bentota Beach" in Bentota	1966 (PB 40) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Habarana Lodge Ltd	Owner & operator of "Cinnamon Lodge" in Habarana	1978 (PB 38) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Habarana Walk Inn Ltd	Owner & operator of "Habarana Village by Cinnamon" in Habarana	1973 (PB 33) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Hikkaduwa Holiday Resorts (Pvt) Ltd	Owner & operator of "Hikka Tranz by Cinnamon" in Hikkaduwa	2010 (PV 71747) Sri Lanka
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	Indra Hotel and Resorts Kandy (Pvt) Ltd*	Owner of Cinnamon Red Kandy	2017 (PV 124247) Sri Lanka

Addresses	Directors	Stated Capital & Effective Holding
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2316800	J G A Cooray - Chairperson A Wanniarachchi, K C Subasinghe, N W Tambiah	Rs.1,198,000,000 81.36%
No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 02. Tel. 2475574	A Wanniarachchi, K C Subasinghe, A Z Hashim	Rs.1,058,750,000 81.36%
Corporate Office: 90 Union Place, Colombo - 2 Technical Services:148 Vauxhall Street, Colombo - 2 Tel. 2313000, 2431576, 2445760	N W Tambiah, K C Subasinghe, D P Gamlath	Rs.5,000,000 100%
No.117 Chittampalam A. Gardiner Mawatha, Colombo - 02 Tel. 2306600, 2421101-8	M H Singhawansa, M R Svensson, K C Subasinghe	Rs.19,520,000 100%
No.117 Chittampalam A. Gardiner Mawatha, Colombo - 02	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.500,000 100%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306600, 2421101-15	K N J Balendra – Chairperson J G A Cooray, S Rajendra, M R Svensson, M H Singhawansa, A K Moonesinghe, K Gunasekera, H Premaratne	Rs.9,500,246,939 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306600	B A B Goonetilleke - Chairperson N N Mawilmada, C L P Gunewardane, K Balasundaram	Rs.132,288,080 42.41%
No. 77, Galle Road, Colombo 3 Tel. 2437437 /2497206	K N J Balendra - Chairperson / Managing Director J G A Cooray, C L P Gunawardane, S Rajendra, M R Svensson, J Durairatnam, A S De Zoysa, A Nanayakkara	Rs.3,345,118,012 78.56%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	M S Weerasekera - Chairperson M R Svensson, K C Subasinghe, D A Kannangara, M D R Gunatilleke, L C H Leow,A J Pathmarajah, M D M Gunatileke	Rs.1,168,800,100 19.47%
No. 115,Sir Chittampalam A. Gardiner Mawatha, Colombo 2. Tel. 2491000	K N J Balendra - Chairperson J G A Cooray, S Rajendra, C L P Gunawardane, M R Svensson, N L Gooneratne, H A J De S Wijeyeratne, S A Atukorale	Rs.1,112,879,750 82.74%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	K N J Balendra - Chairperson J G A Cooray, S Rajendra, N N Mawilmada	Rs.152,313,664,645 99.10%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.135,137,760 80.32%
Moragalla, Beruwala. Tel. 034 2297000	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.2,338,150,000 79.78%
Galle Road, Bentota Tel. 034 2275176 / 034 2275266	S Rajendra, C L P Gunawardane, M H Singhawansa, M R Svensson	Rs.2,845,469,318 79.83%
P.O Box 2, Habarana Tel. 066 2270011-2/ 066 2270072	S Rajendra, C L P Gunawardane, M H Singhawansa, M R Svensson	Rs.341,555,262 78.99%
P.O Box 1, Habarana Tel. 066 2270046-7/ 066 2270077	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.126,350,000 79.34%
P.O Box 1, Galle Road, Hikkaduwa Tel. 091-2277023	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.1,062,635,460 79.60%
No. 273, Katugastota Road, Kandy Tel. 081 2234346	Y S H I K Silva, Y S H R S Silva, Y S H H K Silva, S Rajendra, C L P Gunawardane	Rs.1,051,400,493 32.13%

GROUP DIRECTORY

Industry Group	Sector	Segment/ Business	Company Name	Nature	Incorporated Year & Country
LEISURE	Cinnamon Hotels & Resorts	Sri Lankan Resorts	International Tourists and Hoteliers Ltd *	Owner of Cinnamon Bey	1973 (PB 17) Sri Lanka
			Kandy Walk Inn Ltd	Owner & operator of "Cinnamon Citadel" in Kandy	1979 (PB 395) Sri Lanka
			Nuwara Eliya Holiday Resorts (Pvt) Ltd *	Owner of real estate	2014 (PV98357) Sri Lanka
			Rajawella Hotels Company Ltd *	Owner of real estate	1992 (PB 92) Sri Lanka
			Resort Hotels Ltd *	Owner of real estate	1978 (PB 193) Sri Lanka
			Trinco Holiday Resorts (Pvt) Ltd	Owner & Operator of "Trinco Blu by Cinnamon" in Trincomalee	2009 (PV 69908) Sri Lanka
			Trinco Walk Inn Ltd*	Owner of Real Estate	1984 (PB 168) Sri Lanka
			Wirawila Walk Inn Ltd*	Owner of Real Estate	1994 (PB 89) Sri Lanka
			Yala Village (Pvt) Ltd	Owner & operator of "Cinnamon Wild" in Yala	1999 (PV 2868) Sri Lanka
		Maldivian Resorts	Fantasea World Investments (Pte) Ltd	Owner & operator of "Cinnamon Hakuraa Huraa" in Maldives	1997 (C 143/97) Maldives
			John Keells Maldivian Resorts (Pte) Ltd	Hotel holding company in the Maldives	1996 (C 208/96) Maldives
			Tranquility (Pte) Ltd	Owner and operator of "Cinnamon Dhoinveli" and "Cinnamon Velifushi" in Maldives	2004 (C 344/2004) Maldives
			Travel Club (Pte) Ltd	Operator of "Ellaidhoo Maldives by Cinnamon" in Maldives	1992 (C 121/92) Maldives
	Destination Management		Cinnamon Holidays (Pvt) Ltd	Service providers of Inbound and outbound Tours	2015 (PV 101005) PV107427 Sri Lanka
			Walkers Tours Ltd	Inbound tour operators	1969 (PB 249) Sri Lanka
			Whittall Boustead (Travel) Ltd	Inbound tour operators	1977 (PB 112) Sri Lanka
PROPERTY	Property Management		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) Sri Lanka
			John Keells Properties Ja-Ela (Pvt) Ltd	Developer & Manager of ' K-Zone Ja-Ela' Shopping Mall	2010 (PV 76068) Sri Lanka

Addresses	Directors	Stated Capital & Effective Holding
Moragalla, Beruwala Tel. 2306600, 2421101-8	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.1,939,760,925 79.78%
No.124, Srimath Kuda Ratwatte Mawatha, Kandy Tel. 081 2234365-6/ 081 2237273-4	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.115,182,009 79.03%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.331,236,820 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.37,000,585 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306780, 2421101-8	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.8,849,150 79.60%
Sambativu, Uppuvelli, Trincomalee Tel. 026 2222307 / 026 2221611	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.357,000,000 80.32%
Alles Garden, Uppuveli,Sampathiv Post, Trincomalee Tel. 026 2222307 / 011 2306600	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.119,850,070 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306780, 2421101-8	C L P Gunawardane, K C Subasinghe, M H Singhawansa	Rs.22,936,066 80.32%
P.O Box 1,Kirinda, Tissamaharama Tel. 047 2239449-52	M A Perera - Chairperson C L P Gunawardane, S Rajendra, M H Singhawansa, J A Davis, M R Svensson, N W Tambiah	Rs.319,427,600 75.33%
Meemu Atoll, Republic of Maldives Tel. +9603336000	C L P Gunawardane, S Rajendra, M H Singhawansa, M R Svensson	Rs.341,573,190 80.32%
2nd Floor, H.Maizan Building, Sosun Magu, Male, Republic of Maldives Tel. +9603336000	S Rajendra,C L P Gunawardane, M H Singhawansa, M R Svensson	Rs.3,978,671,681 80.32%
North Malé Atoll, Republic of Maldives Tel. +9603336000	C L P Gunawardane, S Rajendra,M H Singhawansa, M R Svensson	Rs.552,519,608 80.32%
North Ari Atoll, Republic of Maldives Tel. +9603336000	C L P Gunawardane, S Rajendra - Managing Director M H Singhawansa, M R Svensson	Rs.143,172,000 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000	C L P Gunawardane, K C Subasinghe, M H Singhawansa, M R Svensson	Rs.200,000 80.32%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306306	S Rajendra,C L P Gunawardane, I N Amaratunga	Rs.51,374,200 98.05%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306746	S Rajendra, C L P Gunawardane, I N Amaratunga	Rs.250,410,000 100%
No.89, Galle Road, Colombo 3 Tel. 0112152100	K N J Balendra - Chairperson/Managing Director J G A Cooray, C L P Gunawardane, S Rajendra, M R Svensson, J Durairatnam, A S De Zoysa, A Nanayakkara	Rs.3,345,118,012 78.56%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe, N N Mawilmada	Rs.954,360,000 100%

GROUP DIRECTORY

Industry Group	Sector	Segment/ Business	Company Name	Nature	Incorporated Year & Country
PROPERTY	Property Management		Keells Realtors Ltd *	Owner of Real Estates	1977 (PB 90) Sri Lanka
			Mackinnons Keells Ltd*	Rental of office spaces	1952 (PB 8) Sri Lanka
			Whittall Boustead (Pvt) Ltd - Real Estate Division	Renting of office space	1958 (PV 31) Sri Lanka
	Property Development		British Overseas (Pvt) Ltd	Developer of "7th Sense" Residential Tower	2011 (PV 80203) Sri Lanka
			Braybrooke Residential Properties (Pvt) Ltd *	Investor of Braybrooke Residential Towers (Pvt) Ltd	1998 (PV19165) Sri Lanka
			Braybrooke Residential Towers (Pvt) Ltd *	Developer of 'TRI-ZEN' Residential Towers	2017 (PV128387) Sri Lanka
			Glennie Properties (Pvt) Ltd *	Property Development	2012 (PV 84278) Sri Lanka
			J K Land (Pvt) Ltd *	Investment Company for Property Sector	2012 (PV 84272) Sri Lanka
			J K Thudella Properties (Pvt) Ltd *	Owner of Real Estates	2018 (PV 129825) Sri Lanka
			John Keells Residential Properties (Pvt) Ltd	Developer of "On320" Residential Towers	2010 (PV 75050) Sri Lanka
			Rajawella Holdings Ltd	Operates an 18 hole, Donald Street Designed Golf Course in Digana	1991 (PB27) Sri Lanka
			Vauxhall Land Developments (Pvt) Ltd *	Owner of Real Estates	2017 (PV125587) Sri Lanka
			Waterfront Properties (Pvt) Ltd***	Developer of Hotels,Apartments, offices & Shopping Malls	2011 (PV 82153) Sri Lanka
FINANCIAL SERVICES		Insurance	Fairfirst Insurance Ltd **	Providers of Non Life insurance solutions	2014 (PB 5180) Sri Lanka
			Union Assurance PLC	Providers of Life insurance solutions	1987 (PQ 12) Sri Lanka
		Stock Broking	John Keells Stock Brokers (Pvt) Ltd	Share broking services	1979 (PV 89) Sri Lanka
		Banking	Nations Trust Bank PLC **	Commercial banking	1999 (PQ 118) Sri Lanka

Addresses	Directors	Stated Capital & Effective Holding
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe, N N Mawilmada	Rs.75,000,000 95.81%
No. 4, Layden Bastian Road, Colombo 1 Tel. 0112152100	K M Thanthirige, N W R Wijewantha, N N Mawilmada	Rs.327,800,000 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe, N N Mawilmada	Rs.99,188,800 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe, N N Mawilmada, S P G N Rajapakse, D P Gamlath	Rs.1,000 61%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	Y S H R S Silva - Chairperson S Rajendra, K C Subasinghe, N N Mawilmada, D P Gamlath, Y S H I K Silva, C P Palansuriya, Y S H H K Silva	Rs.1,403,970,000 50%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	Y S H R S Silva - Chairperson 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	Rs.3,636,900,000 50%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	K C Subasinghe, N N Mawilmada, D P Gamlath, N W R Wijewantha	Rs. 163,861,400 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe, N N Mawilmada	Rs.24,964,638,930 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, N N Mawilmada	Rs.453,467,620 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	N W R Wijewantha, K C Subasinghe,N N Mawilmada	Rs.925,200,000 100%
P O Box 7, Rajawella, Kandy Tel. 0112152100	K N J Balendra - Chairperson 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 (Alt. R S Captain)	Rs.784,690,140 49.85%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	K N J Balendra - Chairperson J G A Cooray, N N Mawilmada, N W R Wijewantha	Rs.21,716,553,910 100%
No.186, Vauxhall Street, Colombo - 02 Tel. 0112152100	K N J Balendra - Chairperson J G A Cooray, S Rajendra, N N Mawilmada	Rs.152,313,664,645 99.10%
Access Towers II, 14th Floor, No: 278/4, Union Place, Colombo 02 Tel. 0112428428	C Ratnaswami - Chairperson A S Wijesinha, C D Wijegunawardene, S Malhotra, J P Gomes, R M Prabhakar	Rs.3,131,949,000 19.80%
No.20, St. Michaels' Road, Colombo 3 Tel. 0112990990	K N J Balendra - Chairperson S Rajendra, D P Gamlath, D H Fernando, S A Appleyard, P T Wanigasekara	Rs.1,000,000,000 90%
No. 186,Vauxhall street, Colombo 02 Tel.0112306250, 0112342066-7	S Rajendra, D P Gamlath, R S Cader	Rs.57,750,000 90.04%
No. 242, Union Place, Colombo 2. Tel. 0114313131	J G A Cooray - Chairperson R S Cader, J C A D'Souza, R D Rajapaksa, N I R De Mel, S L Sebastian, C H A W Wickramasuriya, A R Fernando, R Shanmuganathan, C K Hettiarachchi, H D Gunetilleke	Rs.11,426,882,000 32.57%

GROUP DIRECTORY

Industry Group	Sector	Segment/ Business	Company Name	Nature	Incorporated Year & Country
OTHER, INCLUDING INFORMATION TECHNOLOGY AND PLANTATION SERVICES	Information Technology	IT Services	John Keells Information Technology (Pvt) Ltd	Software services	1998 (PV 652) Sri Lanka
		IT Enabled Services	Infomate (Pvt) Ltd	IT enabled services	2005 (PV 921) Sri Lanka
			John Keells BPO Holdings Private Ltd *	Holding company of BPO group companies	2006 (C 60882) Mauritius
			John Keells BPO International (Pvt) Ltd *	Investment holding company	2007 (C 070137) Mauritius
			John Keells BPO Solutions Lanka (Pvt) Ltd*	BPO operations in Sri Lanka	2006 (PV 3458) Sri Lanka
	Plantation Services		John Keells PLC	Produce Broking and Real Estate Ownership	1960 (PQ 11) Sri Lanka
			John Keells Teas (Pvt) Ltd	Manager seven bought leaf tea factories	1979 (PV 522) Sri Lanka
			John Keells Warehousing (Pvt) Ltd	Warehousing of Tea and Rubber	2001 (PV 638) Sri Lanka
			Tea Smallholder Factories PLC	Owner and operator of Bought Leaf factories	1991 (PQ 32) Sri Lanka
	Other		Facets (Pvt) Ltd *	Owner of real estate	1974 (PV1048) Sri Lanka
			J K Packaging (Pvt) Ltd*	Printing and packaging services provider for the export market	1979 (PV 1265) Sri Lanka
			John Keells Holdings PLC	Group holding company & function based services	1979 (PQ 14) Sri Lanka
			John Keells International (Pvt) Ltd *	Regional holding company providing administrative & function based services	2006 (PV 46) Sri Lanka
			John Keells Singapore (Pte) Ltd *	International trading services	1992 (199200499C) Singapore
			Keells Consultants (Pvt) Ltd	Company secretarial services to the group	1974 (PB 3 PV) Sri Lanka
			Mortlake (Pvt) Ltd *	Investment company	1962 (PV 756) Sri Lanka

* The company is a non-operational company/ investment company/ holding company or owner of real estate.
** The company has not been considered for sustainability reporting as the Group does not exercise management control over the entity.
***Legal entity has been captured in multiple locations given that there are operations under different segments.

Addresses	Directors	Stated Capital & Effective Holding
No. 148, Vauxhall Street,Colombo 2. Tel. 2300770-77	J G A Cooray - Chairperson K D Weerasinghe, R Shanmuganathan	Rs.96,500,000 100%
No.4, Leyden Bastian Road, Colombo 1 Tel. (94) 112149700	K D Weerasinghe, R Shanmuganathan	Rs.20,000,000 100%
IFS Court, 28, Cybercity, Ebene,Mauritius Tel. (230) 467 3000	Z H Niamut,K Peerbocus, K D Weerasinghe, K C Subasinghe	Rs.1,988,300,000 100%
IFS Court, 28, Cybercity,Ebene, Mauritius Tel. (230) 467 3000	Z H Niamut, K Peerbocus, K D Weerasinghe, K C Subasinghe	Rs.1,616,700,008 100%
No.4, Leyden Bastian Road, Colombo 1 Tel. (94) 2300770-77	K D Weerasinghe, K C Subasinghe, R Shanmuganathan	Rs.335,797,260 100%
No. 186, Vauxhall street,Colombo 02 Tel. 2306000	K N J Balendra - Chairperson J G A Cooray, K D Weerasinghe, A K Gunawardhana, C N Wijewardene, B A I Rajakarier, A Z Hashim	Rs.152,000,000 86.90%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306546	K D Weerasinghe, K C Subasinghe, A Z Hashim	Rs.120,000 100%
No.93,1st Avenue, Muturajawela, Hendala, Wattala Tel. 4819560	K D Weerasinghe, K C Subasinghe, A Z Hashim	Rs.120,000,000 86.90%
No.186, Vauxhall street, Colombo 02 Tel. 2149994 / 2335880	K N J Balendra – Chairperson J G A Cooray, E H Wijenaike, A S Jayatilleke, S K L Obeyesekere, A K Gunaratne, A Goonetilleke, A Z Hashim	Rs.150,000,000 37.62%
No.117,Sir Chittampalam A Gardiner Mawatha,Colombo - 02 Tel. 2306000	K M Thanthirige, D P Gamlath	Rs.150,000 100%
No 148, Vauxhall street,Colombo 02 Tel. 2475308	K C Subasinghe, K D Weerasinghe, D P Gamlath	Rs.14,500,000 100%
No.117,Sir Chittampalam A Gardiner Mawatha,Colombo - 02 Tel. 2306000	K N J Balendra - Chairperson J G A Cooray - Deputy Chairperson, D A Cabraal, A N Fonseka, M P Perera, S S H Wijayasuriya, S M Coorey	Rs.73,187,861,000 98.05%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2306000 /2421101-9	D P Gamlath, K M Thanthirige, N W Tambiah	Rs.1,991,600,000 100%
No.16 Collyer Quay, Level 21, Office Suit No.21-38, Singapore 049318 Tel. 65 63296409/ 65 68189150/ 65 96346593	J G A Cooray - Chairperson K M Thanthirige, K C Subasinghe, D P Gamlath, R Ponnampalam	Rs.9,638,000 80%
No.117,Chittampalam A,Gardiner Mawatha,Colombo - 02 Tel. 2421101-9	K M Thanthirige, N W Tambiah, I V Gunasekera, C Subasinghe	Rs.160,000 100%
No. 148, Vauxhall Street,Colombo 2. Tel. 2475308	K M Thanthirige, K C Subasinghe	Rs.5,500 100%

GRI - DISCLOSURE 207-4

COUNTRY-BY-COUNTRY REPORTING

Description Rs.000	Reference	Page No	Sri Lanka	India	Mauritius	Republic of Maldives	Singapore	Total
a) All tax jurisdictions included in Consolidated Financial Statements	Note 21.10	260						
b)								
i. Names of the resident entities	Group Directory	316-325						
ii. Primary activities of the organization	Group Directory	316-325						
iii. Number of employees			15,228	-	-	715	-	15,943
iv. Revenues from third-party sales			254,035,299	-	-	22,604,608	-	276,639,907
v. Revenues from intra-group transactions with other tax jurisdictions								
vi. Profit/loss before tax			21,494,769	(781)	51,260	1,016,626	27,543	22,589,417
vii. Tangible assets other than cash and cash equivalents			432,027,608	-	-	58,037,899	391	490,065,898
viii. Corporate income tax paid on a cash basis	Not Applicable							
ix. Corporate income tax accrued on profit/loss			(5,190,163)	-	(7,712)	(51,487)	(2,336)	(5,251,698)
x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax	Note 21.5	258						
c) The time period covered by the information reported in Disclosure 207-4.	Year ended 31st March 2023							
d) Capital expenditure incurred during the year			6,291,111	-	-	782,747	-	7,073,858
e) Community contribution			289,936	-	-	2,269	-	292,205

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	a, b, c, d - About us (7)	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	2-2 Entities included in the organization's sustainability reporting	a, b, c - Group directory (316 - 325) and Scope and boundary (5)				
	2-3 Reporting period, frequency and contact point	a, b, c, d - Corporate information section (340) and Scope and boundary (5)				
	2-4 Restatements of information	a. Sustainability Integration, Stakeholder Engagement and Materiality - Sustainability Disclosures section (198)				
	2-5 External assurance	a. Information Verification and Quality Assurance (5) b. i, ii, iii - Independent Assurance Statement (313 - 315)				
	2-6 Activities, value chain and other business relationships	a. About Us (7) b. i. Social and Relationship Capital - Supply Chain Management (122) and Full Industry groups section (47 - 80) ii. Social and Relationship Capital - Supply Chain Management (122) iii. Industry Group Review (47 - 80) c. Social and Relationship Capital - Supply Chain Management (122) and Industry Group Review (47 - 80) d. Industry Group Review (47 - 80)				
	2-7 Employees	a, b, c, d, e - Human Capital Review (114)				
	2-8 Workers who are not employees	a, b, c - Human Capital Review (114)				
	2-9 Governance structure and composition	a, b, c - Corporate Governance Commentary (Web Version) 3.1 Internal Governance Structure (9) 3.1.2 Board composition (9) 3.1.3 Board Skills (9) 3.2 Board Sub Committees (13) (9 - 19 https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf) Corporate Governance - Board Skills (178 - 179)				
	2-10 Nomination and selection of the highest governance body	a, b - Corporate Governance Commentary (Web Version)- 1.4.1 Board Diversity (4) 1.4.2 Board Independence (4) 3.1.2 Board Composition Graph (9) 3.2.3 Nominations committee (17) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-11 Chair of the highest governance body	Corporate Governance Commentary - Combined Chairperson - CEO Role (187)				
	2-12 Role of the highest governance body in overseeing the management of impacts	a, b, c - Corporate Governance Commentary (Web Version) 1.4.4 Increasing Emphasis on ESG aspects (5) 3.1.1 Board Responsibilities (9) 4.1 Strategy Formulation and Decision Making Process (22) 4.6 Stakeholder Management and Effective Communication (26-27) 4.7 Sustainability Governance (28) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-13 Delegation of responsibility for managing impacts	Corporate website -Leadership Section - GOC member profiles Sustainability Integration, Stakeholder Engagement and Materiality (198) Sustainability Organization Structure (198) Corporate Governance Commentary(Web Version) - 4.6 Stakeholder Management and Effective Communication (26-27) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)"				
	2-14 Role of the highest governance body in sustainability reporting	(a) Chairperson's Message (10)				
	2-15 Conflicts of interest	Corporate Governance Commentary - Managing Conflict of Interest and Ensuring Independence (180)				
	2-16 Communication of critical concerns	Corporate Governance Commentary- Ombuds person (191) Corporate Governance Commentary (Web Version) - 5 Assurance Mechanisms (28) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-17 Collective knowledge of the highest governance body	Corporate Governance Commentary (Web Version) : 3.1.4 Access to Independent Professional Advice (9) 3.1.6 Board Induction and Training (10) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Commentary (Web Version) : 3.1.10 Board evaluation (11) 3.3.2 Chairperson - CEO Appraisal (20) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-19 Remuneration policies	Corporate Governance Commentary (Web Version) : 3.1.12 Director Remuneration (13) 3.2.2. Human Resources and Compensation Committee (16) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-20 Process to determine remuneration	Corporate Governance Commentary (Web Version) : 3.2.2.1 Report of the Human Resources and Compensation Committee (16) 4.2.2 Performance Based Compensation Philosophy (24) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-21 Annual total compensation ratio			Confidentiality constraints	The Group does not presently disclose this due to limitations in providing representative detail in the context of a diversified company.	
	2-22 Statement on sustainable development strategy	Chairperson's Message (10)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-23 Policy commitments	a) i to iv - Corporate Governance Commentary - Assurance Mechanism - JKH code of conduct (188) and Social and Relationship Capital - Supply Chain Management (122) b) Corporate Governance Commentary - Key Internal Policies (175) c) Corporate Governance Commentary - Key Internal Policies (175) d) Corporate Governance Commentary - Combined Chairperson - CEO role (187) e) Social and Relationship Capital - Supply Chain Management (122) f) Social and Relationship Capital - Supply Chain Management (122), Corporate Governance Commentary(Web version) - Policy for bidding on contracts and tenders, Corporate Governance Commentary (Web version) - 1.4.8 Greater Employee Involvement in Governance (6) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-24 Embedding policy commitments	a) i) Corporate Governance Commentary (Web Version) - 3.4 Group Executive Committee and Other Management Committes (20) ii) Risk opportunities and Internal controls - Risk Management process, Corporate Governance Commentary (Web version) - Policy for bidding on contracts and tenders (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Risk.pdf) iii) Corporate Governance Commentary (Web Version) - 4.1.3 Project approval process, Social and Relationship Capital - Supply Chain Management (23) iv) Corporate Governance Commentary (Web Version) - 5.5 Internal Controls (30) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-25 Processes to remediate negative impacts	Corporate Governance Commentary (Web Version) - 5.5.4 Internal audit (31), 5.6 Ombudsperson (32) 5.4 Employee Participation in Assurance (30) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-26 Mechanisms for seeking advice and raising concerns	Sustainability Integration, Stakeholder Management and Materiality - Our Stakeholders (199 - 200) Corporate Governance Commentary (Web Version) - 5.6 Ombudsperson (32) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	2-27 Compliance with laws and regulations	Corporate Governance Commentary (Web Version) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf) Investor Relations - Group Highlights (23 - 29)				
	2-28 Membership associations	Corporate Governance Commentary- Profiles of the Board of Directors (178 - 179)				
	2-29 Approach to stakeholder engagement	Sustainability Integration, Stakeholder Management and Materiality - Our Stakeholders (199 - 200)				
	2-30 Collective bargaining agreements	Human capital section - Collective Bargaining (116)				
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Introduction - Determining Materiality (5 - 6) Sustainability Integration, Stakeholder Management and Materiality (200 - 201)	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201)				
Economic performance						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (4) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Economic Value Added Statement (27)				
	201-3 Defined benefit plan obligations and other retirement plans	Human Capital - Compensation and Benefits (116) Investor Relations - Human Capital (29)				
Indirect economic impacts						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (4) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Social and Relationship Capital (121 - 131)				
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (11) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Social and Relationship Capital Review (121) Investor Relations - Social and Relationship Capital (29)				
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality section - Materiality (200 - 201) Management Approach Disclosures (9) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	Investor Relations - Social and Relationship Capital (29)				
Tax						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality section - Materiality (200 - 201) Management Approach Disclosures (4) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 207: Tax 2019	207-1 Approach to tax	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (4) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
	207-2 Tax governance, control, and risk management	Corporate Governance Commentary (Web Version) - 4.5 Tax Governance (26) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				
	207-3 Stakeholder engagement and management of concerns related to tax	Corporate Governance Commentary (Web Version) - 4.5 Tax Governance (26) (https://www.keells.com/resource/reports/governance/John-Keells-Holdings-PLC-AR-2022_23-Corporate-Governance.pdf)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	207-4 Country-by-country reporting	Country by Country Reporting Statement (326)				
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (5) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Natural Capital Review (103)				
	302-2 Energy consumption outside of the organization	Natural Capital Review (105)				
	302-3 Energy intensity	Natural Capital Review (106-107)				
	302-4 Reduction of energy consumption	Natural Capital Review (105)				
Water and effluents						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (5) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Natural Capital - Water and Effluents Management (107 - 108)				
	303-2 Management of water discharge-related impacts	Natural Capital - Water and Effluents Management (107 - 108)				
	303-3 Water withdrawal	Natural Capital - Water and Effluents Management (107 - 108)				
	303-4 Water discharge	Natural Capital - Water and Effluents Management (107 - 108)				
Biodiversity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (6) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital - Biodiversity (111-112)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (5) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Natural Capital - Carbon Footprint (106)				
	305-2 Energy indirect (Scope 2) GHG emissions	Natural Capital - Carbon Footprint (106)				
	305-4 GHG emissions intensity	Natural Capital - Carbon Footprint (106 - 107)				
Waste						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (6) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Natural Capital - Waste (109)				
	306-2 Management of significant waste-related impacts	Investor Relations - Natural Capital (28)				
	306-3 Waste generated	Natural Capital - Waste (109 - 111)				
	306-4 Waste diverted from disposal	Natural Capital - Waste (110)				
	306-5 Waste directed to disposal	Natural Capital - Waste (110)				
Supplier environmental assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (5) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Investor Relations - Social and Relationship Capital (29)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (7-9) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Human Capital Review (116)				
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (8-9) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Human Capital - Health and Safety (120)				
	403-2 Hazard identification, risk assessment, and incident investigation	Human Capital - Health and Safety (120)				
	403-3 Occupational health services	Human Capital - Health and Safety (120)				
	403-4 Worker participation, consultation, and communication on occupational health and safety	Human Capital - Health and Safety (120)				
	403-5 Worker training on occupational health and safety	Human Capital - Health and Safety (120)				
	403-6 Promotion of worker health	Human Capital - Health and Safety (120)				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Human Capital - Health and Safety (120)				
	403-8 Workers covered by an occupational health and safety management system	Human Capital - Health and Safety (120)				
	403-9 Work-related injuries	Human Capital - Health and Safety (120)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (8) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Human Capital - Learning and Development (117)				
	404-3 Percentage of employees receiving regular performance and career development reviews	Investor Relations - Human Capital (29)				
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (8) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Corporate Governance Commentary - Board Diversity (192), Human Capital- Diveristy, Equity & Inlcusion (118)				
Freedom of association and collective bargaining						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (8) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Human Capital (114 - 120) Investor Relations - Social and Relationship Capital (29)				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Child labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (9) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Investor Relations - Social and Relationship Capital (29)				
Forced or compulsory labor						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (9) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Investor Relations - Human Capital (29)				
Local communities						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality - Materiality (200 - 201) Management Approach Disclosures (12) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Social and Relationship Capital- Social Resposinbility (125)				
Supplier social assessment						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality Management Approach Disclosures (11) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Investor Relations - Social and Relationship Capital (29)				

GRI CONTENT INDEX

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	OMISSION			GRI SECTOR STANDARD REF. NO.
			REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Customer health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality Management Approach Disclosures (14) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Management Approach Disclosures (14) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
Marketing and labeling						
GRI 3: Material Topics 2021	3-3 Management of material topics	Sustainability Integration, Stakeholder Management and Materiality Management Approach Disclosures (14) (https://www.keells.com/resource/Management_Approach_Disclosures_2022_23.pdf)				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Intellectual Capital Review (132 - 134), Investor Relations - Social and Relationship Capital (29)				
	417-2 Incidents of non-compliance concerning product and service information and labeling	Investor Relations - Social and Relationship Capital (29)				
	417-3 Incidents of non-compliance concerning marketing communications	Investor Relations - Social and Relationship Capital (29)				

NOTICE OF MEETING - ANNUAL GENERAL MEETING

Notice is hereby given that the Forty Fourth Annual General Meeting (AGM) of John Keells Holdings PLC will be held as a virtual meeting on 30 June 2023 at 10.00 a.m.

The business to be brought before the Meeting will be to:

1. read the Notice convening the Meeting.
2. receive and consider the Annual Report and Financial Statements for the Financial Year ended 31 March 2023 with the Report of the Auditors thereon.
3. re-elect as Director, Mr. D A Cabraal who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. D A Cabraal is contained in the Corporate Governance Commentary of the Annual Report.
4. re-elect as Director, Mr. J G A Cooray, who retires in terms of Article 84 of the Articles of Association of the Company. A brief profile of Mr. J G A Cooray is contained in the Corporate Governance Commentary of the Annual Report.
5. re-elect as Director, Dr. S A Coorey who retires in terms of Article 91 of the Articles of Association of the Company. A brief profile of Dr. S A Coorey is contained in the Corporate Governance Commentary of the Annual Report.
6. re-appoint as Director, Mr. A N Fonseka who has attained the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007, for which the passing of the following ordinary resolution is recommended by the Company:

   "THAT the age limit stipulated in Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. A N Fonseka who is 70 years and that he be re-elected a Director of the Company."
7. re-appoint the Auditors and to authorise the Directors to determine their remuneration.
8. consider any other business of which due notice has been given in terms of the relevant laws and regulations.

The Annual Report of John Keells Holdings PLC for 2022/23, is accessible via:

(1) The Corporate Website – *https://www.keells.com/investor-relations/#latest-financials*

(2) The Colombo Stock Exchange – *https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=JKH.N0000*

(3) The following QR Code (accessible through mobile devices):

Should Members wish to obtain a hard copy of the Annual Report, they may send a request to the Company by filling the Form of Request attached to the Form of Proxy. A printed copy of the Annual Report will be forwarded by the Company within eight (8) market days, subject to the prevailing circumstances at the time, from the date of receipt of the request.

By Order of the Board
John Keells Holdings PLC

Keells Consultants (Private) Limited
Secretaries

23 May 2023

Notes:

i. A Member unable to attend the Meeting is entitled to appoint a Proxy to attend and vote in his/her place.

ii. A Proxy need not be a Member of the Company.

iii. A Member wishing to vote by Proxy at the Meeting may use the Form of Proxy enclosed herein.

iv. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to vote on their behalf and to include their voting preferences on the resolutions to be taken up at the Meeting in the Form of Proxy

v. In order to be valid, the completed Form of Proxy must be lodged at the Registered Office of the Company not less than 48 hours before the Meeting.

vi. A vote can be taken on a show of hands or by a poll. If a poll is demanded, each share is entitled to one vote. Votes can be cast in person, by proxy or corporate representatives. In the event an individual Member and his/her Proxy holder are both present at the Meeting, only the Member's vote is counted. If the Proxy holder's appointor has indicated the manner of voting, only the appointor's indication of the manner to vote will be used.

vii. Instructions as to attending the virtual Meeting: *https://www.keells.com/resource/agm-notices/AGM-2022-23-John-Keells-Holdings-PLC.pdf*

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 - Chairperson/CEO
J G A Cooray - Deputy Chairperson/Group Finance Director
D A Cabraal
S A Coorey
A N Fonseka
M P Perera
S S H Wijayasuriya

SENIOR INDEPENDENT DIRECTOR
A N Fonseka

AUDIT COMMITTEE
A N Fonseka - Chairperson
D A Cabraal
M P Perera

HUMAN RESOURCES AND COMPENSATION COMMITTEE
D A Cabraal - Chairperson
A N Fonseka
S S H Wijayasuriya

NOMINATIONS COMMITTEE
D A Cabraal - Chairperson
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 - Chairperson
K N J Balendra
J G A Cooray
M P Perera

REGISTERED OFFICE OF THE COMPANY
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6000
Internet : www.keells.com
Email : jkh@keells.com

SECRETARIES
Keells Consultants (Private) Limited
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6245
Facsimile : +94 11 243 9037
Email : keellsconsultants@keells.com

INVESTOR RELATIONS
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6170
Facsimile : +94 11 230 6160
Email : investor.relations@keells.com

SUSTAINABILITY, ENTERPRISE RISK MANAGEMENT AND GROUP INITIATIVES
186 Vauxhall Street
Colombo 2, Sri Lanka
Telephone : +94 11 230 6182
Facsimile : +94 11 230 6249
Email : sustainability@keells.com

CONTACT FOR MEDIA
Corporate Communications Division
John Keells Holdings PLC
117 Sir Chittampalam A. Gardiner Mawatha,
Colombo 2, Sri Lanka
Telephone : +94 11 230 6191
Email : jkh@keells.com

AUDITORS
Ernst & Young
Chartered Accountants
P.O. Box 101
Colombo, Sri Lanka

BANKERS FOR THE COMPANY
Bank of Ceylon
Citibank N.A.
Commercial Bank of Ceylon
Deutsche Bank A.G.
DFCC Bank
Hatton National Bank
Hongkong and Shanghai Banking Corporation
Nations Trust Bank
People's Bank
Sampath Bank
Seylan Bank
Standard Chartered Bank

DEPOSITORY FOR GDRS
Citibank N.A. New York

NOTES

NOTES

FORM OF PROXY - ANNUAL GENERAL MEETING

I/We .... of

.... being a member/s of John Keells Holdings PLC hereby appoint

.... of

.... or failing him/her

MR. KRISHAN NIRAJ JAYASEKARA BALENDRA	or failing him
MR. JOSEPH GIHAN ADISHA COORAY	or failing him
MR. DAMIEN AMAL CABRAAL	or failing him
MR. ANTHONY NIHAL FONSEKA	or failing him
MS. MARIE PREMILA PERERA	or failing her
DR. SHRIDHIR SARIPUTTA HANSA WIJAYASURIYA	or failing him
DR. SHARMINI AMRITA COOREY	

as my/our proxy to represent me/us and vote on my/our behalf at the Forty Fourth Annual General Meeting of the Company to be held on 30 June 2023 at 10.00 a.m. and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

	FOR	AGAINST
To re-elect as a Director, Mr. D A Cabraal , who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as a Director, Mr. J G A Cooray who retires in terms of Article 84 of the Articles of Association of the Company.		
To re-elect as a Director, Dr. S A Coorey who retires in terms of Article 91 of the Articles of Association of the Company.		
To re–elect as a Director, Mr. A N Fonseka who attained the age of 70 years and who retires in terms of Section 210 of the Companies Act No. 7 of 2007		
To re-appoint the Auditors and to authorise the Directors to determine their remuneration.		

Signed on this .... day of .... Two Thousand and Twenty-Three.

....

Signature/s of Shareholder/s

NOTE:

INSTRUCTIONS AS TO THE COMPLETION OF THE FORM OF PROXY ARE NOTED ON THE REVERSE.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 117, Sir Chittampalam A. Gardiner Mawatha, Colombo 2, or forwarded by fax to +94 11 243 9037, or e-mailed to ***keellsconsultants@keells.com*** no later than 48 hours before the time appointed for the convening of the Meeting.

3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

4. If the appointor is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.

5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.

Please fill in the following details:

Name : ....

Address : ....

....

....

Jointly with : ....

Share Folio No. : ....

NIC No. : ....

Designed & produced by

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Digital Plates & Printing by Softwave Printing and Packaging (Pvt) Ltd

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